Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Consolidated financial statements as of December 31, 2015 together with independent auditors' report

(Convenience translation of the independent auditors' report and financial statements and footnotes originally issued in Turkish)

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(Convenience translation of a report and consolidated financial statements originally issued in Turkish)

Independent auditors' report on the consolidated financial statements

To the Board of Directors of Yünsa Yünlü Sanayi ve Ticaret A.Ş.

Report on the consolidated financial statements

We have audited the accompanying consolidated statement of financial position of Yünsa Yünlü Sanayi ve Ticaret A.Ş. (the Company) and its subsidiaries (together will be referred to as the "Group") as at December 31, 2015 and the related consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Management's responsibility for the financial statements

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

Independent auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our audit was conducted in accordance with Standards on Auditing as issued by the Capital Markets Board of Turkey and Auditing Standards which are part of the Turkish Auditing Standards as issued by Public Oversight Accounting and Auditing Standards Authority. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments, the Company's internal control system is taken into consideration. Our purpose, however, is not to express an opinion on the effectiveness of internal control system, but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Group and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management, as well as evaluating the overall presentation of the financial statements.

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

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Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Yünsa Yünlü Sanayi ve Ticaret A.Ş. and its subsidiaries as at December 31, 2015 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Matter of emphasis

Without qualifying our opinion, we want to draw your attention to the Note 36 of the accompanying consolidated financial statements. As it is separately stated in Note 36 in 2015, during the tax inspection regarding to the calculation of corporate tax for the year 2010, tax specialist levied a tax principal and fine at a total amount of TL 2.741.119 on the ground that losses related to the liquidation of a subsidiary, which was used by the Company as deduction from corporate tax base, cannot be the subject of deduction. The Company management explains in Note 36 of the financial statements that there is no need to require making provisions in financial statements since the Company is planning to bring a lawsuit for the aforementioned issue and it is not expecting to make payment with respect to this issue.

Reports on other responsibilities arising from regulatory requirements

1) Auditors' report on Risk Management System and Committee prepared in accordance with paragraph 4 of Article 398 of Turkish Commercial Code ("TCC") 6102 is submitted to the Board of Directors of the Company on February 26, 2016.

2) In accordance with paragraph 4 of Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 – December 31, 2015 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

3) In accordance with paragraph 4 of Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Metin Canoğulları, SMMM
Partner in charge

February 26, 2016
İstanbul, Türkiye

Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

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Consolidated statement of financial position as of December 31, 2015

(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

	Notes	Current year (Audited) December 31, 2015	Prior year (Audited) December 31, 2014
Assets			
Current assets		**218.891.659**	**223.927.699**
Cash and cash equivalents	6	4.015.374	13.058.543
Trade receivables	8	96.257.454	122.606.700
- Trade receivables from related parties	7	-	*2.282*
- Other trade receivables	8	*96.257.454*	*122.604.418*
Other receivables	9	1.745.506	1.750.096
Inventory	10	103.466.663	73.996.201
Prepaid expenses	12	1.730.914	2.281.188
Other financial assets	22	1.516.756	3.805.171
Other current assets	22	10.158.992	6.429.800
Non-current assets		**69.154.092**	**69.016.215**
Tangible assets	14	50.239.535	53.324.060
Intangible assets	15	14.058.379	11.884.206
Prepaid expenses	12	192.102	41.745
Deferred tax asset	31	4.664.076	3.766.204
Total assets		**288.045.751**	**292.943.914**

Consolidated financial statements as of and for the year ended December 31, 2015, were approved by the Board of Directors on February 26, 2016.

Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Consolidated statement of financial position
as of December 31, 2015
(Amounts expressed in Turkish Lira ("TL"), unless otherwise indicated)

	Notes	Current year (Audited) December 31, 2015	Prior year (Audited) December 31, 2014
Liabilities			
Short term Liabilities		**191.425.243**	**182.415.803**
Financial liabilities	18	146.455.399	129.320.430
Trade payables	8	36.436.729	43.022.855
- Trade payables to related parties	7	*363.958*	*40.089*
- Other trade payables	8	*36.072.771*	*42.982.766*
Deferred income	9	861.935	870.748
Other financial liabilities	22	792.772	92.657
Short-term liabilities for employee benefits	21	5.269.766	6.449.686
Short-term provisions for employee benefits	21	-	1.050.000
Other current liabilities	22	1.608.642	1.498.347
Income taxes payables	31	-	111.080
Long-term liabilities		**12.052.495**	**8.631.508**
Long term provisions for employment benefits	21	12.052.495	8.631.508
Shareholders' equity		**84.568.013**	**101.896.603**
Paid-in share capital	23	29.160.000	29.160.000
Inflation adjustment		30.657.866	30.657.866
Share premium		92.957	92.957
Other comprehensive income and expenses not to be reclassified to accumulated profit or loss		(3.105.162)	(601.462)
Other comprehensive income and expenses to be reclassified to accumulated profit or loss		1.187.050	3.410.007
Restricted reserves		21.436.111	6.859.011
Retained earnings		245.124	245.124
Net profit for the current year	32	4.894.067	32.073.100
Total liabilities and equity		**288.045.751**	**292.943.914**

Consolidated financial statements as of and for the year ended December 31, 2015, were approved by the Board of Directors on February 26, 2016.

Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Consolidated statement of profit or loss
for the year ended December 31, 2015
(Amounts expressed in of Turkish Lira ("TL") unless otherwise indicated)

	Notes	Current year (Audited) January 1- December 31, 2015	Prior year (Audited) January 1- December 31 2014
Continuing operations			
Revenue (net)	24	263.695.342	319.058.534
Cost of sales (-)	25	(205.151.059)	(244.295.879)
Gross profit		**58.544.283**	**74.762.655**
Selling, marketing and distribution expenses (-)	26	(30.109.434)	(36.862.139)
General administrative expense (-)	26	(14.432.196)	(11.383.280)
Research and development expenses (-)	26	(1.149.807)	(1.425.498)
Other operating income	27	21.214.758	14.011.308
Other operating expenses (-)	27	(7.368.048)	(11.244.138)
Operating profit		**26.699.556**	**27.858.908**
Income from investment activities	27	1.077.678	19.463.629
Financial expenses (-)	29	(22.557.408)	(12.472.435)
Operating profit before tax		**5.219.826**	**34.850.102**
Operating tax expense	31	**(325.759)**	**(2.777.002)**
Taxation on expense for the current year		-	(3.597.717)
Deferred tax (expense) / income		(325.759)	820.715
Net income for the year from continuing operations		**4.894.067**	**32.073.100**
Earnings per share		**0,0017**	**0,0110**
Weighted-average number of outstanding shares		**2.916.000.000**	**2.916.000.000**
(1 share equals to Kr 1 valued shares)			

Consolidated financial statements as of and for the year ended December 31, 2015, were approved by the Board of Directors on February 26, 2016.

Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Consolidated statement of other comprehensive income
for the year ended December 31, 2015
(Amounts expressed in of Turkish Lira ("TL") unless otherwise indicated)

	Note	Current year (Audited) January 1 – December 31, 2015	Prior year (Audited) January 1 – December 31, 2014
Net Income		**4.894.067**	**32.073.100**
Other comprehensive income:			
Accumulated other comprehensive income/(expense) not to be reclassified to profit or loss		**(2.503.700)**	**(552.167)**
Actuarial loss	21	(3.129.625)	(690.209)
-Deferred tax income	31	625.925	138.042
Accumulated other comprehensive income/(expense) to be reclassified to profit or loss		**(2.222.957)**	**9.639.882**
Cash flow hedge (losses)/gains		(2.988.530)	12.107.268
Foreign exchange conversion gain/(loss)		167.867	(45.932)
- Deferred tax income/(expense)	31	597.706	(2.421.454)
Total comprehensive income		**167.410**	**41.160.815**

The accompanying policies and explanatory notes are the integral part of the consolidated financial statements.

Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Consolidated statement of changes in equity
for the year ended December 31, 2015
(Amounts expressed in of Turkish Lira ("TL") unless otherwise indicated)

	Note	Capital	Inflation adjustment	Share premium	Other comprehensive income/(expense) not to be reclassified to profit or loss	Other comprehensive income/(expense) to be reclassified to profit or loss	Restricted reserves	Retained Earnings / (accumulated deficit)	Net profit for the period	Total equity
January 1, 2014	23,32	29.160.000	30.657.866	92.957	(49.295)	(6.229.875)	4.761.715	245.124	15.510.896	74.149.388
Transfer to restricted reserves		-	-	-	-	-	2.097.296	-	(2.097.296)	-
Transfer to retained earnings / (accumulated deficit)		-	-	-	-	-	-	13.413.600	(13.413.600)	-
Distributed dividends (Note 1)		-	-	-	-	-	-	(13.413.600)	-	(13.413.600)
Actuarial gain / loss		-	-	-	(552.167)	-	-	-		(552.167)
Foreign currency translation differences		-	-	-	-	(45.932)	-	-	-	(45.932)
Financial risk hedge fund		-	-	-	-	9.685.814	-	-	-	9.685.814
Profit for the year		-	-	-	-	-	-	-	32.073.100	32.073.100
Total comprehensive income		-	-	-	(552.167)	9.639.882	-	-	32.073.100	41.160.815
December 31, 2014	23,32	29.160.000	30.657.866	92.957	(601.462)	3.410.007	6.859.011	245.124	32.073.100	101.896.603
January 1, 2015	23,32	29.160.000	30.657.866	92.957	(601.462)	3.410.007	6.859.011	245.124	32.073.100	101.896.603
Transfer to restricted reserves		-	-	-	-	-	14.577.100	-	(14.577.100)	-
Transfer to retained earnings / (accumulated deficit)		-	-	-	-	-	-	17.496.000	(17.496.000)	-
Distributed dividends (Note 1)		-	-	-	-	-	-	(17.496.000)	-	(17.496.000)
Actuarial gain / loss		-	-	-	(2.503.700)	-	-	-	-	(2.503.700)
Foreign currency translation differences		-	-	-	-	167.867	-	-	-	167.867
Financial risk hedge fund		-	-	-	-	(2.390.824)	-	-	-	(2.390.824)
Net profit for the year		-	-	-	-	-	-	-	4.894.067	4.894.067
Total comprehensive income		-	-	-	(2.503.700)	(2.222.957)	-	-	4.894.067	167.410
December 31, 2015	23,32	29.160.000	30.657.866	92.957	(3.105.162)	1.187.050	21.436.111	245.124	4.894.067	84.568.013

The accompanying policies and explanatory notes are the integral part of the consolidated financial statements.

Yünsa Yünlü Sanayi ve Ticaret Anonim Şirketi and Its Subsidiaries

Consolidated statement of cash flows
for the year ended December 31, 2015
(Amounts expressed in of Turkish Lira ("TL") unless otherwise indicated)

	Notes	Current year (Audited) January 1 - December 31, 2015	Prior year (Audited) January 1 - December 31, 2014
Cash flows from operating activities:			
Net profit	32	4.894.067	32.073.100
Adjustments			
Depreciation and amortisation	14, 15, 28	12.986.312	12.358.347
Deferred tax expense / (income)	31	325.759	(820.715)
Income tax expense	31	-	3.597.717
Provision for employment termination benefits	21	5.788.300	3.373.496
Provisions for short-term employee benefits	21	(1.179.920)	2.289.036
Interest income		(5.459)	(25.089)
Interest expense		9.496.337	8.709.619
Gain on sale of property, plant and equipment		(1.077.678)	(19.463.629)
Rediscount on receivables	7,8	570.030	11.666
Rediscount on payables	7,8	39.815	(232.567)
Change in inventory provisions	10	(2.319.018)	2.402.380
Income accruals	9	(1.690.417)	(1.686.935)
Net cash provided by operating activities before changes in working capital flow		**27.828.128**	**42.586.426**
Trade receivables		25.779.216	(14.063.315)
Inventories		(27.151.444)	(13.441.501)
Prepaid expeses		550.274	(743.872)
Other current assets		(3.315.977)	(464.503)
Other non-current assets		(150.357)	251.274
Trade payables		(6.625.941)	16.080.269
Other current liabilities		306.599	1.731.920
Net cash provided by operating activities after changes in working capital flow		**17.220.498**	**31.936.698**
Taxes paid	31	(234.964)	(3.486.637)
Employment termination benefits paid	21	(5.496.938)	(2.431.282)
Accrued expenses paid	21	(1.050.000)	(783.000)
Net cash provided from operating activities		**10.438.596**	**25.235.779**
Cash flows used in investing activities			
Purchase of property, plant and equipment	14	(5.497.456)	(17.730.680)
Purchase of intangible assets	15	(6.589.188)	(6.414.088)
Proceeds from sales of tangible and intangible assets		1.088.362	20.600.660
Cash in-flows from government incentives		1.368.425	288.226
Interest received		5.459	25.089
Net cash used in investment activities		**(9.624.398)**	**(3.230.793)**
Cash flows used in financing activities			
Changes in borrowings		16.708.249	10.631.659
Dividends paid		(17.496.000)	(13.413.600)
Interest paid		(9.069.616)	(6.919.086)
Net cash used in financing activities		**(9.857.367)**	**(9.701.027)**
Net (decrease)/increase in cash and cash equivalents		(9.043.169)	12.303.959
Cash and cash equivalents at the beginning of the period	6	13.058.543	754.584
Cash and cash equivalents at the end of the period	6	**4.015.374**	**13.058.543**

The accompanying policies and explanatory notes are the integral part of the consolidated financial statements.

(Currency –Turkish Lira (TL) unless otherwise indicated)

1. Group's Organisation and nature of operations

Yünsa Yünlü Sanayi ve Ticaret A.Ş. ("Company") and its subsidiaries (named as "Group"), Yünsa Yünlü Sanayi ve Ticaret A.Ş. is the parent company, which owns/controls the majority of the shares, consists of four subsifdiaries.

Yünsa Yünlü Sanayi ve Ticaret A.Ş. ("Company") was established in June 21, 1973.
The Company was established for the manufacturing, marketing and selling wool textile products. Company's main shareholder is Hacı Ömer Sabancı Holding A.Ş. The shares of the Group's main shareholder are quoted on Borsa İstanbul A. Ş. and traded in the national market.

As of December 31, 2015 average number of personnel is 1.539 (December 31, 2014: 1.750).

The Company is registered in Turkey and the address of the registered office is Sabancı Center Kule 2, 34330 4.Levent, İstanbul.

As of December 31, 2015 and 2014, Yünsa Yünlü Sanayi ve Ticaret A.Ş.'s in scope of consolidation as subsidiaries (the "Subsidiaries"), directly and indirectly with the business of the capital shares are as follows:

	December 31, 2015 and 2014		
Subsidiaries	Direct Ownership Ratio %	Indirect Ownership Ratio %	Field of Activity
Yünsa Germany Gmbh	100	100	Marketing-Sales
Yünsa Italia SRL	100	100	Fabric Design
Yünsa UK Limited	100	100	Marketing-Sales
Yünsa USA Inc.	100	100	Marketing-Sales

Dividends paid

Group dividend payment made in the current period was TL 17.496.000. (2014 - 13.413.600 TL)

Dividend equals to 1 TL nominal value share is 0,0060 Kr. (2014 – 0,0046 Kr.).

Approval of the financial statements:

The financial statements have been approved by the Board of Directors and authorized for issue on February 26, 2016.

2. Basis of presentation of financial statements

2.1 Basis of Preparation of Financial Statements and Significant Accounting Policies

The financial statements and disclosures have been prepared in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" (the Communiqué) announced by the Capital Markets Board ("CMB") (hereinafter will be referred to as "the CMB Reporting Standards") on June 13, 2013 which is published on Official Gazette numbered 28676. In accordance with article 5th of the CMB Reporting Standards, companies should apply Turkish Accounting Standards/Turkish Financial Reporting Standards (TAS/TFRS) and interpretations regarding these standards as adopted by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA").

The Company keeps its books in Turkish Lira (TL) pursuant to the commercial and financial regulations effective in Turkey and the provisions of the Uniform Chart of Accounts (UCA) promulgated by the Ministry of Finance. The financial statements are based on the legal records of the Company and expressed in TL based in historical cost except for derivative financial instruments which are measured at fair value and prepared after being subject to certain adjustments and classifications in order to fairly present the financial position of the Company in accordance wit the CMB Accounting Standards.

Functional Currency

The financial statements of each company of the Group have been presented in the currency prevailing in the basic economic environment in which they operate (functional currency). The financial position and results of operations of each company have been denominated in TL which is the prevailing currency of the Company and the presentation currency for the consolidated financial statements.

As of December 31, 2015 and 2014, the functional currency of the Group's subsidiaries is Euro and US Dollars respectively, and the reporting currency is TL. The translation differences resulting from these consolidated subsidiaries are included in the foreign currency translation differences account under equity.

Basis of consolidation

The consolidated financial statements are controlled by the Company or include jointly controlled entity's financial statements. Control of an entity so as to obtain benefits from its activities on the financial and operational policies that are provided with the power to control.

The results of the acquired or disposed subsidiaries during the year,are included in the consolidated statement of income, after the date of acquisition or up to the date of disposal. If necessary, the financial statements of the subsidiary companies have been changed, in order to apply the same accounting policies within the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

In net assets of consolidated subsidiaries to minority interests (non-controlling interest) are identified separately from the Group's equity therein. Minority shares consist of the first business combinations that occur in these shares from the date of the merger with the changes in equity of the minority interests of the amount.

When a company purchased by the Group, the assets and liabilities of the relevant subsidiary, are measured at fair value as of the date of acquisition. Minority share is obtained by calculating the fair values of assets and liabilities in the ratio of non controlling interests. The operating results of the subsidiaries acquired or disposed during the period, are included in the consolidated statement of income, starting from the date of acquisition or up to the date of the sale.

2. Basis of presentation of financial statements (continued)

In the event the Company's purchase payment price is over the value of the underlying net assets, goodwill arises during the consolidation. After reassessment, the acquired company's assets, liabilities and contingent liabilities of the Group's share in the net fair value exceeds the costs associated with business combinations, the excess amount is recognized in the income statement.

Changes in the share capital of the Group's existing subsidiaries are:

In the Group's ownership interests in subsidiaries that do not result in loss of control are accounted for as equity transactions changes. The Group's shares of non-controlling share of the book value of subsidiaries are adjusted to reflect changes in share.Non-controlling interests are adjusted by the difference between the amount of the consideration paid or received and the fair value, are accounted directly in equity as a share of the Group.

In case of the Group's loss of the control of a subsidiary, after sales profit / loss, i) with the sum of the sales price and the remaining share of the fair value ii) the subsidiary's assets (including goodwill) and liabilities and non-controlling share of the previous carrying amount of the difference between is calculated.The subsidiary's assets valuation at fair value and revalued amounts and in case of the accounting of the related cumulative gain / loss in other comprehensive income recognition and accumulated in equity, in case of other comprehensive income previously recognized in equity and collected amounts, are recorded by the accounting methods to be used on the assumption that the Company has sold related assets. (e.g., in accordance with the relevant IFRS standards, profit / loss transfer or transfers directly to retained earnings).

After the subsidiary's sale, the fair value of date of the remaining investment's loss of control, TAS 39 Financial Instruments: Recognition and Measurement standards identified under the initial accounting for the fair value or as in applicable cases where a subsidiary or a jointly controlled business investment is considered as the cost value in initial recognition.

2.2 Change in accounting policies

The new standards, amendments and interpretations

The accounting policies adopted in preparation of the consolidated financial statements as at December 31, 2015 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of January 1, 2015. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

i) <u>The new standards, amendments and interpretations which are effective as at January 1, 2015 are as follows:</u>

TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)

TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. The amendment did not have an impact on the consolidated financial statements of the Group.

2. Basis of presentation of financial statements (continued)

Annual Improvements to IAS/IFRSs

In September 2014, Public Oversight Authority (POA) issued the below amendments to the standards in relation to "Annual Improvements - 2010–2012 Cycle" and "Annual Improvements - 2011–2013 Cycle".

Annual Improvements - 2010-2012 Cycle

TFRS 2 Share-based Payment:

Definitions relating to performance and service conditions which are vesting conditions are clarified. The amendment is effective prospectively.

TFRS 3 Business Combinations

The amendment clarifies that all contingent consideration arrangements classified as liabilities (or assets) arising from a business combination should be subsequently measured at fair value through profit or loss whether or not they fall within the scope of TAS 39 (or TFRS 9, as applicable). The amendment is effective for business combinations prospectively.

TFRS 8 Operating Segments

The changes are as follows: i) An entity must disclose the judgements made by management in applying the aggregation criteria in TFRS 8, including a brief description of operating segments that have been aggregated and the economic characteristics (e.g., sales and gross margins) used to assess whether the segments are 'similar'. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

TAS 16 Property, Plant and Equipment and TAS 38 Intangible Assets

The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed, as follows:
i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

TAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. . In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. The amendment is effective retrospectively.

Annual Improvements - 2011-2013 Cycle

TFRS 3 Business Combinations

The amendment clarifies that: i) Joint arrangements are outside the scope of IFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

2. Basis of presentation of financial statements (continued)

TFRS 13 Fair Value Measurement

The portfolio exception in TFRS 13 can be applied to financial assets, financial liabilities and other contracts within the scope of TAS 39 (or TFRS 9, as applicable). The amendment is effective prospectively.

TAS 40 Investment Property

The amendment clarifies the interrelationship of TFRS 3 and TAS 40 in determining whether the transaction is the purchase of an asset or business combination. The amendment is effective prospectively.

The amendments did not have a significant impact on the consolidated financial statements of the Group.

ii) Standards issued but not yet effective and not early adopted:

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

TFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012 and February 2015, the new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted. Phase 1 of this new TFRS introduces new requirements for classifying and measuring financial instruments. 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. The amendments will not have an impact on the financial position or performance of the Group.

TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

2. Basis of presentation of financial statements (continued)

TAS 16 and TAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to TAS 16 and TAS 38)

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Group.

TAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) – Bearer Plants

TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In February 2015, amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

In February 2015, amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

2. Basis of presentation of financial statements (continued)

TAS 1: Disclosure Initiative (Amendments to TAS 1)

In February 2015, amendments issued to TAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after January 1, 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the consolidated financial statements of the Group.

Annual Improvements to TFRSs - 2012-2014 Cycle

In February 2015, POA issued, Annual Improvements to TFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

- *TFRS 5 Non-current Assets Held for Sale and Discontinued Operations* – clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan
- *TFRS 7 Financial Instruments: Disclosures* – clarifies that i) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with TFRS 7; ii) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report
- *TAS 19 Employee Benefits* – clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located
- *TAS 34 Interim Financial Reporting* – clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report.

The amendments are effective for annual periods beginning on or after January 1, 2016, with earlier application permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (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 by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

2. Basis of presentation of financial statements (continued)

Annual Improvements - 2010-2012 Cycle

IFRS 13 Fair Value Measurement

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

Annual Improvements - 2011-2013 Cycle

IFRS 15 Revenue from Contracts with Customers

In May 2014, the International Accounting Standards Board (IASB) issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 original effective date was January 1, 2017. However, in September 2015, IASB decided to defer the effective date to reporting periods beginning on or after January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IFRS 9 Financial Instruments - Final standard (2014)

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

2. Basis of presentation of financial statements (continued)

IFRS 16 Leases

In January 2016, the IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses (Amendments)

In January 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealised losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. However, on initial application of the amendment, the change in the opening equity of the earliest comparative period may be recognised in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If the Group applies this relief, it shall disclose that fact. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

IAS 7 Statement of Cash Flows (Amendments)

In January 2016, the IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after January 1, 2017 with earlier application permitted. When the Group first applies those amendments, it is not required to provide comparative information for preceding periods. The amendment is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

2.3 Summary of Significant Accounting Policies

The consolidated financial statements of the significant accounting policies used in the preparation are summarized below:

a) Revenue

Sales revenues are recorded on the basis of actualization of the delivery, the reliable calculation of the revenue's amount & the expected amount of the transaction-related economic benefits received or to be taken of the consideration over the fair value, inflow for the Group. Net sales, sales returns, calculated after deducting discounts and commissions have been found.

2. Basis of presentation of financial statements (continued)

Revenue from the proceeds of the sale of goods, is recognized when all the following conditions are met:

- The transfer of the all significant risks & rewards of the ownership to the buyer,
- The related ownership of the group & lack of effective control over the goods sold of the continuous managerial involvement,
- The reliable measurement of the revenue amount,
- Possible economic benefits associated with the transaction flow to the entity,
- Incurred or expected incurred transaction costs must be measured reliably.

Retail sales are made in cash or by credit card. Revenue recorded, including credit card processing fees in gross amounts.

Other revenues earned by the Group, are recognized on the following basis:

Rent and royalty income - on accrual basis
Interest income - on the basis of the effective interest method
Dividend income - dividends in the period when the right to collect occurs

b) Related Parties

a) A person or a member of that person's close family is related to the Company in the following cases:

Concerned person's;

(i) Having control or joint control over the company,
(ii) In case of having significant influence over the company,
(iii) In case of being a member of the Company of Company's main ownership's key management personnel,

b) If any of the following conditions are met, the entity is counted as related with the Company:

(i) In case of, Entity & the Company are members of the same group.
(ii) In case of entity is another company's subsidiary or joint venture (or in case of a membership of a groups' member)
(iii) In case of both the companies having a business partnership with the same third party,
(iv) One of the companies having a business partnership with a third party and the other company is a subsidiary of of that third party,
(v) In case of having Entity's, Company's or the associated Company's employees having a post-employment defined benefit plans (In case of Company has such a plan, the sponsoring companies are also related with the Company.)
(vi) Company's control or jointly controlled by a person identified in the article (a),
(vii) A person who is identified as in (a) article,at (i) part, in the presence of a significant impact on a person's business or such entity (or of a parent of these businesses) in the case of being a member of the key management personnel.

2. Basis of presentation of financial statements (continued)

c) Inventories

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

d) Financial Instruments

Financial Assets

The fair value through profit or loss classified as financial assets and the fair value of recognized at fair market value except those financial assets and purchase transactions directly attributable expenditure for the total amount is recognized. In accordance with the timeframe investment instruments, established by the concerning market condition of delivery that is connected to a contract as a result of purchase or sale of financial assets and the related assets, are recognized or are derecognized on the trade date.

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 classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

The effective interest method

The effective interest rate method, is the calculation of the amortized cost of a financial asset and distribution of the related interest income to the related period. Effective interest rate is the rate for the expected life of the financial instrument or, if it is appropriate, a shorter period of time of the total estimated future cash receipts through the related financial asset is the rate that exactly discounts to net present value. At fair value through profit or loss Financial assets are classified as financial assets and the related income is calculated by using the effective interest method.

Financial assets that are the reflections of the fair value through profit or loss

Financial assets that are held for trading are the assets which reflect the fair value in the income statement. A financial asset for the purpose of selling in the short term, it is categorized under this subject. Financial risk derivatives are designated as an effective protective instrument mentioned that constitute the fair value of financial assets at fair value through profit or loss are classified as financial assets. Assets, in this category, are classified as current assets.

2. Basis of presentation of financial statements (continued)

Financial assets held to maturity

The Group's intent and ability to hold to maturity, which is fixed or determinable payments and fixed maturity debt instruments, are classified as investments held to maturity. Held-to-maturity investments are recorded at amortized cost using effective interest method less impairment and the related revenue is calculated after deducting the effective interest method.

Financial Assets available for sale

Available-for-sale financial assets are defined as (a) assets which are not held-to-maturity financial assets" or (b) financial assets that are not financial assets held for trading. Available-for-sale financial assets are subsequently re-measured at fair value. When fair value calculations, based on market prices, cannot be obtained reliably, the available-for-sale financial assets are carried at amortized cost using the effective interest method. Profit and loss related to available-for-sale financial assets are included in the income statement for the related period. The changes in fair value of these assets are presented in equity accounts. In the case that the related asset is disposed of or impaired, the amount in equity accounts is transferred to the income statement as profit/loss. Impairment provisions, which result from investments on equity instruments classified as available-for-sale financial assets and which are recognized in the income statement cannot be derecognized from the income statement in the subsequent periods. Except for equity instruments defined as available-for-sale, if the loss on impairment decreases in the subsequent period and if this decrease is attributable to an event occurring after the recognition of the impairment loss, previously recognized impairment loss may be derecognized in the income statement.

Borrowings and receivables

Trade and other receivables and loans with fixed or determinable payments , that are not traded, are classified in this category. Loans are shown at amortized cost using the effective interest method, less any impairment losses are measured.

Impairments in financial assets

Financial asset are assessed at each balance sheet date whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that had occurred after the initial recognition of the asset and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. For loans and receivables impairment loss has been incurred the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

Except for trade receivables, which is reduced through the use of an allowance account, impairment on all other financial assets are directly written off in the related account. In case trade receivables cannot be collected, the related amount is written off from allowance account. The change in allowance account is accounted in the income statement.

2. Basis of presentation of financial statements (continued)

Except ready for sale equity instruments, if the impairment losses in next period decreases and the decrease in impairment loss is recognized, then the previously recognized impairment loss for investment at the date the impairment is reversed, in case of the impairment have not been recognized at any time. It is cancelled without exceeding the amortized cost, is reversed in the income statement.

An increase, after the decrease in the fair vaue of ready to sale equity instruments, is directly accounted in equity.

Cash and cash equivalents

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

Financial liabilities

The Group's financial liabilities and equity instruments, are classified according to the substance of contractual arrangements, and based on the definitions of a financial liability and equity instrument.

It's a financial instrument that represent the right of the remaining assets' contract depending on the equity, after deducting all of the Group's liabilities. Specific financial liabilities and equity for the applied accounting policies for financial instruments are stated below.

Financial liabilities at fair value through profit or loss or other financial liabilities are classified as financial liabilities.

Financial liabilities concerning fair value valuation difference profit or loss

Financial liabilities concerning fair value valuation difference profit or loss, is recorded at fair value and in every report period it is revalued as of balance sheet date value. The change in the fair value is accounted in the income statement.The net gain or loss recognized in income statement, stated financial liabilities include the amount of interest paid.

Other Financial Liabilities

Other financial liabilities, including borrowings, net of transaction costs are accounted for at fair value. Other financial liabilities are subsequently calculated on the effective interest rate method, with interest expense using the effective interest is recognized at amortized cost.

The effective interest rate method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period to the period related.

The effective interest rate is the rate for the expected life of the financial instrument or, if appropriate, a shorter period of time, the estimated future cash payments net present value of the related financial liabilities is the rate that discounts.

2. Basis of presentation of financial statements (continued)

Derivative financial instruments and hedge accounting

The group's activities, mainly due to changes in foreign exchange rates and interest rates, which is exposed to financial risks. Group, on specific binding commitments and forecasted exchange rate fluctuations depending to transactions to hedge its financial risks associated with derivative financial instruments (primarily foreign currency forward contracts) are used.

The Group does not use derivative financial instruments for speculative purposes. Derivative financial instruments are calculated at fair value on the contract date and it is recalculated using the fair value in subsequent reporting periods.

Future cash flows are determined as hedging derivatives that are active on this issue and the changes in the fair value of the ineffective portion directly in equity is recognized directly in income statement.

The group's bounding commitments to foreign exchange risk protection policy, classifies the stated risk as a cash flow hedge. In the recognition of an asset or liability that do not result in hedging transactions, in the periods that the amounts in equity affects the hedged item's the income statement, are recognized in the income statement. The derivative financial instruments that do not meet the requirements for changes for the hedging acoounting, are recorded in income statement when they create a fair value change.

Financial hedge accounting is concluded when the hedging instrument usage period expired, sold or used, or the requirements for hedge accounting could not meet the case.Cumulative gain or loss arising from hedging instrument at the related period will be booked to equity until the expected gain/loss transaction to be completed. If a hedged transaction does not occur, the net cumulative gain or loss recognized in equity, is recorded as profit or loss for the period.

e) Tangible assets

Tangible assets are carried at acquisition cost less accumulated depreciation and impairment loss if exists. Depreciation is provided over adjusted costs on a straight-line basis over the economic useful lives. Since lands are considered as to have an indefinite useful life, they are not subject to depreciation.

The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Years
Land and land improvements	10-25
Buildings	25-50
Machinery, plant and equipment	4-12
Motor vehicles	5
Furniture and fixtures	3-10
Specific costs	5 or less than lease term

2. Basis of presentation of financial statements (continued)

Resulting from disposal of tangible assets or tangible assets withdrawn from service, the sales proceeds and the gain or loss determined as the difference between the asset's carrying amount and are included in the income statement.

The impairment test is performed when the book value of the assets that are subject to amortization, is not possible to recover.The provision for impairment is recorded if the asset's carrying amount exceeds the recoverable amount. The recoverable amount is the obtained fair value after deducting the cost of sales or is the greater value in use. In order to evaluate the impairment, the assets are grouped at the lowest levels (cash generating units) where there are seperately identifiable cash flows. Non-financial assets that are subject to impairment, are reviewed for possible reversal of the impairment at every reporting period.

Property, plant maintenance and repair expenses incurred, are recognized as expenses.The investment spendings that increase the future benefits by increasing the capacity of the tangible assets, are added to cost of tangible assets.

f) Intangible Assets

Intangible assets comprise acquired intellectual property and computer software. They are recorded at acquisition cost and amortized on a straight-line basis over their estimated economic lives for a period not exceeding 5 years from the date of acquisition. Where an indication of impairment exists, the carrying amount of any intangible asset is assessed and written down immediately to its recoverable amount.

Internally generated intangible assets and research and development expenses

Research expenses are recorded in the income statement in the incurred period.

Resulting from development activities (or Intra-group's project at the development phase) ,internally generated intangible assets are only recognized when the following conditions are all met:

- technical possibility to completion of the intangible asset's readiness for use or to sell,
- having intention to sell, operate or completion of intangible assets.
- intangible assets that can be used or sold,
- how the asset would generate probable future economic benefits to be certain,
- The existence of the required appropriate technical, financial and other resources in order to complete the development of intangible assets, use or sell. The development cost of the asset during the development process to be measured in a reliable way.

Amount of internally generated intangible assets, consist of the intangible assets that meet the requirements of the above mentioned recognition from the moment the total amount of the expenditure is composed. When internally generated intangible assets are not recorded, development expenditure is recognized as an expense in the period in which they create.

After initial recognition, the internally-generated intangible assets are shown as like the purchased separately intangible assets. after reducing the accumulated amortization and accumulated impairment losses. These assets are amortized within 5 years.

2. Basis of presentation of financial statements (continued)

g) Borrowing costs

In the case of the assets that are ready for use & sale, are subject to a considerable time seeking (qualifying assets) , the attributable borrowing costs are directly involved in cost of the asset until the related asset is ready for use or sell.

All other borrowing costs are recognized in the income statement in the period they occur.

h) Corporate income taxes

Turkish tax legislation does not permit to file a consolidated tax preparation to parent company and its subsidiary, as reflected in the accompanying financial statements, the tax provision is calculated separately based on each company.

Income tax expense consists of the sum of current tax and deferred tax expense.

Current Tax

Current year tax liability is calculated over the part of the taxable profit. There are differences in the income statement, because of it excludes taxable profit, taxable or tax-deductible items in other years that can not be deducted from taxable or tax. The Group's liability for current tax balance sheet date has been enacted or substantively enacted tax rate is calculated.

Deferred Tax

Deferred tax liability or asset is determined by, taking into consideration the differences between the assets' and liabilities' shown amounts in the financial statements and is determined by calculating the amounts recognized in the legal tax base account the for temporary differences balance sheet liability method of tax effects have been enacted tax rates taking into consideration. Deferred tax liabilities are recognized for all taxable temporary differences, and deferred tax assets from deductible temporary differences, future taxable profits by obtaining benefit from those differences are recognized to the extent that it is probable. Such assets and liabilities, commercial or financial gain / loss on a transaction that affects temporary difference related to goodwill or other assets and liabilities in the financial statements for the first time of receipt (excluding business combinations) is not accounted for if it originates.

Deferred tax liabilities are calculated where the subsidiaries and investments in associates and jointventures' shares are associated with all taxable temporary differences, except the situations where the Group can control the removal of the temporary differences and the situations where this differences has small possibility of removal.

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 probably be utilized and they are calculated on the condition that the differences bounded with the future will be removed.

The carrying amount of deferred tax assets, are reviewed at each balance sheet date. The carrying amount of deferred tax assets' book value is decreased in the case of providing to obtain a portion or all of the sufficient benefits allow the extent that it is not probable that taxable profit reduced.

2. Basis of presentation of financial statements (continued)

Deferred tax is recognized using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority or if there is a legal right for the group to offset these items.

Deferred Tax and Tax Charge for the Current Period

The tax charge of the current period and deferred tax of the current period, except the items recognized as expense or income under equity (in which case the deferred tax related to those items is recognized under equity as well) or the items, that were recognized under equity for business mergers, are recognized as expense or income at the income statement for the current period. Tax effect is taken into consideration in business mergers in calculating goodwill or in determining the fair value of the acquired share of defined assets, liabilities or contingent liabilities exceeding the purchasing costs.

i) Employee Benefits

Employee Termination Benefits

According to the legislations and labor agreements in Turkey, employee termination benefits are paid in case of retirement and employment terminations. In accordance with the updated TAS 19 Employee Benefits Standard ("TAS 19") such payments are considered as defined benefit pension plans.

The employee termination liabilities, recognized in the financial statements, are calculated by an assumption of the employee retirements, that will arise in the future and their net present values, calculated in accordance with these assumptions. All calculated actuarial gains and losses are classified to income or expense under the accumulated other comprehensive income or expenses under equity.

Dividend and Bonus Payments

Group recognizes as expense and liability the profit by using a formula, which takes into consideration the adjusted profit for the shareholders. Group makes provisions in circumstances, when an agreement or a past practice creates a liability or an obligation.

j) Effects of rate exchanges

Each Group Entity's financial statements are presented by the functional currencies of their economic environments. Financial positions and operational results of the each entity is presented in TL, which is Group's functional and presentation currency for the financial statements.

Transactions in foreign currencies during the year have been translated at the exchange rates prevailing at the dates of such transactions.

2. Basis of presentation of financial statements (continued)

Monetary balance sheet items denominated in foreign currencies have been translated at the Central Bank of Turkey (TCB) exchange rates prevailing at the balance sheet date. Non-monetary items that monitored by its fair value which are recorded in foreign currency, are converted to TL (based on the fair value rates are determined.). Non-monetary items that are measured in terms of historical cost in a foreign currency are not subject to conversion again.

Date	TL / USD	TL/EURO
December 31, 2015	**2,9076**	**3,1776**
December 31, 2014	2,3189	2,8207

Exchange differences, except as specified below, are recognized in profit or loss in the period in which:

- Foreign exchange gain/losses related to assets under construction for future productive use, and included as an adjustment to interest costs and added on cost of those assets,
- Foreign exchange differences arising from hedging transactions for foreign currency risks.
- Foreign exchange differences forming part of the foreign operation net investment, accounted under reserves, associated with profit or loss on sale of the net investment, arising from international activity debt and receivables without intention or possibility of any payment.

The Group's assets and liabilities of foreign operations are expressed in TL using exchange rates prevailing on the statement of financial position date in the financial statements. Income and expense items, unless exchange rates fluctuates significantly at the dates of the transactions in the period (in case of major fluctuations, exchange rates at the transaction date is used) , are translated using average exchange rates during the period. Exchange differences are recognized in other comprehensive income and accumulated equity in a separate component.

k) Earnings per Share

Earnings per share disclosed in the accompanying statement of income are determined by dividing net income by the weighted average number of shares in existence during the period concerned.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources, by giving them a retroactive effect for the period in which they were issued and each previous year.

l) Capital and Dividends

The ordinary shares are classified as equity. Dividends on ordinary shares are recognized in equity in the period are deducted.

2. Basis of presentation of financial statements (continued)

m) Provisions, contingent assets and liabilities

In case of a present obligation arising from past events, and probable perform of the obligation and the amount of such obligations can be estimated reliably; provision is made in the financial statements.

The amount recognized as a provision is calculated by estimating the expenditure at the balance sheet date in order to fulfill these liabilities, taking into consideration the risks and uncertainties related to the liability.

In case of provision's measurement is calculated by estimated cash flow in order to meet current liability; related provision's book value is equal to the present value of the related cash flows.

In case of the needed economic benefits of provision's required payment is expected (a portion or all) to be paid from a third pary; they are recognized as assets if the following requirements are met: amount to be collected, the appropriate amount to be certainly collected, and reliably measured

n) Reporting of Cash Flows

In the cash flow statements, are based on cash flow operating for the period, investing and financing activities classified and reported.

Cash flows generating from operating activities shows the the cash flows generating from Group's main operating activities (textiles & garments for sale).

Cash flows related to investing activities shows the Group's cash flows used and obtained in the investment activities (asset investments &financial investments).

Cash flows related to financing activities show the resources used in financing activities of the Group and the repayment of these sources.

Cash and cash equivalents, comprise cash on hand and demand deposits and purchases from the date of maturity of 3 months or less than 3 months, readily convertible to cash, which may be significant changes in value of bearing risk with high liquidity and other short-term investments.

o) Subsequent events

Subsequent events related to the profit announcement or any other financial information disclosed to the public even if they occurred after the balance sheet date, it covers all events between the balance sheet and balance sheet date of authorization for publication.

Group, in case of subsequent events requiring adjustment after balance sheet date, the amounts are corrected according to this new situation in the financial statements.

p) Segmental reporting of financial information

A reportable segment is a section which carries out operation activities by which the entity can acquire proceeds and make expenditures and in which the results of operations are revised regularly by an authority making decisions regarding the operations of the entity in order to make decisions on resources to be allocated to the segment and to evaluate the performance of the segment and on which separate information is available.

2. Basis of presentation of financial statements (continued)

Reportable segment information required to be disclosed is an operating segment. An operating segment as a reportable segment should be identified as; the portion of the proceeds of the majority sales acquisitions must be made from group's external customers from sales acquisition and the proceeds from groups' external customers and the proceeds from transactions of other segments with other departments, and all internal and external segments arising total revenue at least 10% or, profit or loss segment result of all segments in profit the total results in loss sum of the parts results in absolute terms, which is great at least 10% to hit or its assets , all sections of the total assets must be consisting of at least 10% or more.

r) Government Grants and Incentives

Government incentives are not reflected in the financial statements; without the business fulfilment of the necessary conditions for obtaining that incentive which will and a reasonable assurance that they shall be obtained.

Government grants, intended to meet the costs of these incentives are reflected as an expense in profit or loss in a systematic manner throughout the periods. The government grants as a financing tool, rather than being accounted as a net off item profit or loss, should be associated with the statement of financial position (balance sheet) as unearned income, should be reflected in a systematic manner in profit or loss during the economic life of the related assets.

The Group is supported by the Scientific and Technological Research Council of Turkey ("TUBITAK"). TUBITAK carries out a program to organize and regulate the support of the Republic of Turkey in order to encourage research and technology development activities of industries in Turkey. Within the framework of this program, some part of the development expenses of industrial companies is reimbursed.

Government incentives granted in order to recover the expenses and losses incurred previously or to provide immediate finance support without causing the entity any cost in the future are recognized in profit or loss in the period in which they become collectable. The benefit of the loan taken from the government with an interest rate lower than that of the market is considered as government incentive. The benefit created by this lower interest rate is measured as the difference between the carrying value of the loan in the beginning and the acquired gains.

s) Operating leases

The Group as the lessee

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

The Group as the lessor

Rent income from lessees is recognized equally during the rent period in the consolidated statement of comprehensive income. Rent income collected as advance is recognised in the consolidated statement of comprehensive income systematically on a monthly basis using the straight line method during the rent period.

2. Basis of presentation of financial statements (continued)

t) The critical decisions taken while applying the Group's accounting policies

Liability for employee termination benefits

The present values of employee termination liabilities are determined on an actuarial basis using certain assumptions. These assumptions are used in determining the net cost of employee termination liabilities and include the reduction in the rate. The carrying amount effects employee termination liability if any changes occur in these assumptions. Actuarial gains and losses are associated with the income statement in the period in which they arise.

The Group determines the appropriate discount rate at the end of each year. This rate of employee termination liabilities that are necessary for the fulfillment of the present value of estimated future cash outflows used in the calculation (Note 21).

Net Realizable Value of Inventory

Inventories are stated at the lower of cost and net realizable value. The Group Management has determined that the cost of inventories is higher than the realizable value as of the reporting date. The impairment calculation requires management to estimate the future cash flows expected to arise from the sale of inventories and the estimated selling price less all estimated costs of completion and costs necessary to make the sale. Based on the estimation made by the Management as of December 31, 2015 the cost of inventories was reduced by TL 295.388 (December 31, 2014: TL 2.614.406) (Note 10).

Deferred Tax

The Group statutory tax financial statements prepared in accordance with TFRS financial statements for the temporary differences arising from differences between the deferred tax assets and liabilities are recognized. These differences are usually some tax amounts of revenue and expenses in financial statements prepared in accordance with TFRS is due to take place in different periods. Can be downloaded from the Group's future profits and other deductible temporary differences, are unused tax losses and deferred tax assets. Deferred tax assets partially or fully recoverable amount is estimated under current conditions. During the assessment, projections of future profits, losses incurred in the current period, unused losses and other tax assets expiration dates and potential tax planning strategies were considered. Portable tax loss not exceeding five years , subject to period income can be reduced and the projected period of the Group is the high financial losses that may use the extent of taxable income the possibility of creating in accounting principle of prudence evaluated with the said financial losses deferred tax assets is calculated.

Doubtful receivables

Provision for doubtful receivables of the Group management as of the balance sheet date but current economic conditions existing in the collection risk of future losses on existing receivables that believed to be reflecting the amounts. Value of receivables be impaired while assessing the related companies and key customers outside the debtors' past performance on the market credibility and the balance sheet date the financial statements were approved until the date that performance with renegotiated conditions are taken into account.

2. Basis of presentation of financial statements (continued)

Recovery of internally generated intangible assets

Development activities (or intra-group project's development phase) resulting from internally generated intangible assets ,only those assets are technically feasible to ready for use or sale, operating the asset completion, use, or intention to sell , the presence of intangible assets use or sell the facility , the presence of intangible assets probable future economic benefits how to build it can be demonstrated , as well as intangible assets output or the intangible asset itself existence of a market or within the business is to be used intangible assets to be available , the development phase is complete and the material use or sell of the intangible asset must be adequate technically , financial and other resources in the development process of the present and of the expenditures related to the intangible asset can be measured reliably are recognized. In case of internally generated intangible assets are not able to be recorded, development expenditure is recognized as an expense in the period they occur.

During the period, the Group management internally generated intangible assets has re-examine the existence of probable future economic benefits. The Group's management believes that the projects will continue as expected, and analysis of projects is expected to generate similar economic benefits. Management is sure to recover the registered values of the assets, even if economic benefits have decreased. This situation is being closely monitored by management and management of future market activity requires adjustment shall be made in cases where the correction comes.

Provisions

When provisions for lawsuits are reserved, the probabilty of losing the case and loss in case of losing the case is evaluated by the group's legal advisors' opinion, and the best estimates are made by using the data by the group management.

Fair value of the derivative financial instruments and other financial instruments

Group, calculates the fair value of the financial instruments that do not have an active market by utilizing from market data, taking intto consideration of the similar instruments' fair value and using discounted cash flow analysis.

3. Business combinations

None. (2014: None).

4. Business partnerships

None (2014:None).

(Currency –Turkish Lira (TL) unless otherwise indicated)

5. Reporting by segments

As Group has started to implement the TFRS 8 from 1 January 2009, the operating segments are defined by the Group's decision-making authority regarding the activities regularly revised on internal reports. Group decision-making authority is the general manager and the board of directors.

Group's decision-making authority, examines the results and activities on the product types in order to make decisions about resources to be allocated to the departments and to evaluate the departments' performance. The Group's operating segments on the basis of the distribution of the business segments are as follows: textiles and garments.

a) Segment Revenues:

	January 1,- December 31, 2015	January 1, - December 31, 2014
Textile	250.819.568	304.422.698
Garment	12.875.774	14.635.836
	263.695.342	**319.058.534**

b) Segment Assets:

	December 31, 2015	December 31, 2014
Textile	268.009.957	286.132.607
Garment	20.035.794	6.811.307
	288.045.751	**292.943.914**

c) Segment Liabilities:

	December 31, 2015	December 31, 2014
Textile	203.197.217	190.476.379
Garment	280.521	570.932
	203.477.738	**191.047.311**

(Currency –Turkish Lira (TL) unless otherwise indicated)

5. Reporting by segments (continued)

d-1) January 1 - December 31, 2015 period section analysis:

	Textile	Garment	Total
Sales revenue	250.819.568	12.875.774	263.695.342
Cost of sales	(196.381.491)	(8.769.568)	(205.151.059)
Gross profit	**54.438.077**	**4.106.206**	**58.544.283**
Marketing, selling and distribution expenses	(28.872.876)	(1.236.558)	(30.109.434)
General and administrative expenses	(13.980.047)	(452.149)	(14.432.196)
Research and development expenses	(1.149.807)	-	(1.149.807)
Other operating income and profits	21.164.994	49.764	21.214.758
Other operating expenses and losses	(7.163.094)	(204.954)	(7.368.048)
Segment result	**24.437.247**	**2.262.309**	**26.699.556**

d-1) January 1 - December 31, 2014 period section analysis:

	Textile	Garment	Toplam
Sales revenue	304.422.698	14.635.836	319.058.534
Cost of sales	(230.710.714)	(13.585.165)	(244.295.879)
Gross profit	**73.711.984**	**1.050.671**	**74.762.655**
Marketing, selling and distribution expenses	(33.026.667)	(3.835.472)	(36.862.139)
General and administrative expenses	(10.937.519)	(445.761)	(11.383.280)
Research and development expenses	(1.425.498)	-	(1.425.498)
Other operating income and profits	13.724.444	286.864	14.011.308
Other operating expenses and losses	(9.983.005)	(1.261.133)	(11.244.138)
Segment result	**32.063.739**	**(4.204.831)**	**27.858.908**

e) Investment expenditures

	January 1 – December 31, 2015	January 1 – December 31, 2014
Textile	6.298.661	20.115.192
Garment	197.243	53.135
	6.495.904	**20.168.327**

(Currency –Turkish Lira (TL) unless otherwise indicated)

5. Reporting by segments (continued)

f-1) January 1 - December 31, 2015 period expenses not requiring cash outflow:

	Textile	Garment	Total
- Depreciation and amortization	12.906.326	79.986	12.986.312
- Provisions for employee benefits	5.190.647	102.112	5.292.759
	18.096.973	**182.098**	**18.279.071**

f-2) January 1 - December 31, 2014 period expenses not requiring cash outflow:

	Textile	Garment	Total
- Depreciation and amortization	12.087.068	271.279	12.358.347
- Provisions for employee benefits	3.437.679	316.315	3.753.994
	15.524.747	**587.594**	**16.112.341**

6. Cash and cash equivalents

	December 31, 2015	December 31, 2014
Bank		
- Demand deposits	360.199	2.602.394
- Time deposits	3.653.800	10.449.169
Other	1.375	6.980
	4.015.374	**13.058.543**

Disclosures on the nature and level of risks of cash and cash equivalents are disclosed in Note 33.

(*) Time deposits of the Company for TL and USD and interest rates are 6% and 0,6%, respectively. Maturity of of time deposits of the Company is less than 1 month.

(Currency –Turkish Lira (TL) unless otherwise indicated)

7. Related party disclosures

a) Trade receivables from related parties:	December 31, 2015	December 31, 2014
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş. (2)	-	2.022
Enerjisa Enerji A.Ş. (2)	-	340
	-	2.362
Less: Unaccrued finance income	-	(80)
	-	2.282

Receivables from related parties generally are shorter than 4 months (2014: 4 months or less) on December 31, 2015 TL and foreign currency denominated receivables from related parties are discounted by 11,29% and LIBOR rates.

b) Payables to related parties:	December 31, 2015	December 31, 2014
Aksigorta A.Ş. (2)	37.358	12.305
Hacı Ömer Sabancı Holding A.Ş. (1)	10.341	12.283
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş. (2)	311.622	16.345
Brisa Bridgestone Sabancı Lastik San. Tic. A.Ş. (2)	17.404	-
Teknosa İç ve Dış Tic. A.Ş. (2)	-	110
	376.725	41.043
Less: Unaccrued finance expense	(12.767)	(954)
	363.958	40.089

Payables to related parties are due shorter than four months in December 31, 2015. TL and foreign currency denominated payables to related parties are discounted respectively by 11,29% per annum and LIBOR rates.

c) Bank deposits:	December 31, 2015	December 31, 2014
Akbank T.A.Ş.(2)		
- Demand deposit	127.025	1.753.537
- Time deposit	3.653.800	-
	3.780.825	1.753.537

d) Bank loans:	December 31, 2015	December 31, 2014
Akbank T.A.Ş.(2)	582.000	1.332.000
	582.000	1.332.000

(1) Shareholder
(2) Inter-group company

(Currency –Turkish Lira (TL) unless otherwise indicated)

7. Related party disclosures (continued)

e) Goods purchased from related parties:

	January 1- December 31, 2015	January 1 - December 31, 2014
Carrefoursa A.Ş.(2)	17.012	16.064
	17.012	**16.064**

f) Product sales to related parties:	January 1- December 31, 2015	January 1- December 31, 2014
Hacı Ömer Sabancı Holding A.Ş.(1)	-	10.437
Brisa Bridgestone Sabancı Lastik San. Tic. A.Ş. (2)	-	40.249
Exsa Export Sanayi Mamulleri Satış ve Araştırma A.Ş.(2)	-	315
Enerjisa Elektrik Enerjisi Toptan Satış A.Ş.(2)	-	414
Enerjisa Enerji A.Ş.(2)	-	2.817
Enerjisa Enerji Üretim A.Ş.(2)	-	1.044
Enerjisa Elek. Per. Sat. A.Ş.(2)	-	1.395
Enerjisa Doğalgaz Top. Sat. A.Ş.(2)	-	315
Enerjisa Enerji Hizmetleri A.Ş.(2)	-	315
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.(2)	-	1.872
Temsa İş Mak. İmalat Paz. ve Sat. A.Ş.(2)	7.540	315
Temsa Motorlu Araç. Paz. ve Dağ. A.Ş.(2)	-	315
Hacı Ömer Sabancı Vakfı	-	729
	7.540	**60.532**

(1) Shareholder
(2) Inter-group company

g) Service purchases from related parties:	January 1- December 31, 2015	January 1- December 31, 2014
Aksigorta A.Ş.(*) (2)	1.355.573	1.422.162
Hacı Ömer Sabancı Holding A.Ş.(**) (1)	1.371.754	1.174.783
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.(***) (2)	568.372	174.609
Avivasa Emeklilik ve Hayat A.Ş. (****) (2)	96.255	103.640
Sabtek San. ve Tic. A.Ş. (****) (2)	18.351	-
Brisa Bridgestone Sabancı Lastik San. Tic. A.Ş. (2)	14.749	-
Enerjisa Enerji A.Ş.(2)	7.608	-
Sabancı Üniversitesi	-	3.600
	3.432.662	**2.878.794**

(Currency –Turkish Lira (TL) unless otherwise indicated)

7. Related party disclosures (continued)

h) Fixed asset purchases from related parties:	January 1- December 31, 2015	January 1- December 31, 2014
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş. (2)	535.554	1.305.560
Teknosa İç ve Dış Ticaret A.Ş. (2)	13.263	32.509
Temsa İş Mak. İmalat Paz. ve Sat. A.Ş.(2)	-	18.505
	548.817	1.356.574

(*) The Group is taking insurance services from Aksigorta A.Ş. .
(**) The Group is taking health service, maintenance and repair services and taking building services from Haci Omer Sabanci Holding
(***) The Group is taking information-processing services and fixed assets from Bimsa Ulus. İş, Bilgi ve Yön. Sis. A.Ş.
(****) The Group is taking insurance service from Avivasa Emeklilik Hayat A.Ş.

ı) Other income:	January 1 - December 31, 2015	January 1- December 31 2014
Aksigorta A.Ş. (2)	3.264	1.242.660
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş. (2)	877	13.774
	4.141	1.256.434

i) Other expense:	January 1- December 31, 2015	January 1- December 31, 2014
Aksigorta A.Ş. (2)	2.857	-
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş. (2)	1.158	272
	4.015	272

(1) Shareholder
(2) Inter-group company

k) Interest and exchange rate expense:	January 1- December 31, 2015	January 1- December 31, 2014
Akbank T.A.Ş. (*) (2)	2.782.952	674.284
	2.782.952	674.284

(*) TL 2.071.987 of interest and foreign exchange expense with Akbank during the year consists of foreign exchange losses.

(2) Inter-group company

(Currency –Turkish Lira (TL) unless otherwise indicated)

7. Related party disclosures (continued)

I) Wages and similar remuneration paid to Board members and senior management personnel:

	January 1- December 31, 2015	January 1- December 31, 2014
Salaries and other short-term benefits	2.190.344	2.779.388
Other long-term benefits	398.451	319.780
	2.588.795	**3.099.168**

8. Trade receivables and payables

Short term trade receivables:	December 31, 2015	December 31, 2014
Trade receivables	78.977.447	102.466.018
Receivables from related parties (Note:7)	-	2.362
Notes receivable	18.483.648	20.771.931
	97.461.095	**123.240.311**
Less: Unearned finance income (-)	(1.203.641)	(633.611)
Trade receivables, net	**96.257.454**	**122.606.700**

Trade receivables have generally less than four months maturity (2014: less than 4 months) and on December 31, 2015, TL and foreign currency trade receivables are discounted by 11,29% and LIBOR rates respectively.

The explanations of nature and level of risk in trade receivables are given in Note 33.

Short-term trade payables:	December 31, 2015	December 31, 2014
Foreign trade payables	19.205.806	20.049.336
Domestic trade payables	13.667.945	19.423.334
Work and service payables	3.697.967	4.060.671
Payables to related parties (Note 7)	376.725	41.043
	36.948.443	**43.574.384**
Less: Unaccrued financial expense (-)	(511.714)	(551.529)
	36.436.729	**43.022.855**

Maturity of trade payables is between 1 to 3 months, and on December 31, 2015 the TL and foreign currency denominated trade payables are discounted by 11,29% and LIBOR rates respectively.

Explanations of nature and level of risks in trade payables are given in Note 33.

(Currency –Turkish Lira (TL) unless otherwise indicated)

9. Other receivables and deferred income

Other receivables	December 31, 2015	December 31, 2014
Income accruals (*)	1.690.417	1.686.935
Due from personnel	48.541	41.876
Other	6.548	21.285
	1.745.506	**1.750.096**

(*) Income accruals as of December 31, 2015 and 2014 are mainly consists of incentive accruals in scope of Turquality and they are recognized in the statement of profit or loss as income since they are not directly related to development expenses and investments made by the Group.

Deferred income

	December 31, 2015	December 31, 2014
Order advances received	861.935	870.748
	861.935	**870.748**

10. Inventories

	December 31, 2015	December 31, 2014
Raw materials	8.315.359	6.032.272
Semi-finished goods	33.024.311	29.765.787
Finished goods	47.908.380	27.003.655
Trade goods	6.966.558	2.278.146
Goods in transit	5.955.688	9.398.497
Other inventories	1.591.755	2.132.250
Provision for impairment of inventories (-)	(295.388)	(2.614.406)
	103.466.663	**73.996.201**

Reductions in market conditions and customer demand causes an increase in the Group's inventories, obsolence or is caused to be carried higher than the market value. The movement in the provision for impairment of inventories is as follows:

	2015	2014
January 1	(2.614.406)	(212.026)
Provisions made during the period (Note 25)	(177.701)	(2.614.406)
Provisions released during the period (Note 25)	2.496.719	212.026
December 31	**(295.388)**	**(2.614.406)**

(Currency –Turkish Lira (TL) unless otherwise indicated)

11. Living assets

None (2014: None).

12. Prepaid expenses

Short term	December 31, 2015	December 31, 2014
Consultancy and fair advances	1.183.622	1.902.761
Insurance expenses	34.456	9.957
Letter of guarantee commissions	101.040	61.926
Stock Advances	275.279	208.259
Other	136.517	98.285
	1.730.914	**2.281.188**

Long term	December 31, 2015	December 31, 2014
Fixed asset advances	192.102	41.745
	192.102	**41.745**

13. Investment Properties

None (2014: None).

(Currency –Turkish Lira (TL) unless otherwise indicated)

14. Tangible assets

The movements of tangible assets are as follows:

	January 1, 2015	Additions	Disposals	Transfers	December 31, 2015
Cost:					
Land	340.501	-	-	-	340.501
Land Improvements	6.803.280	290.233	-	-	7.093.513
Buildings	44.077.802	933.341	-	-	45.011.143
Machinery and equipment	187.841.800	3.051.077	(7.640.509)	255.036	183.507.404
Vehicles	135.049	-	-	-	135.049
Furniture and fixture	5.634.216	573.466	(905)	14.483	6.221.260
Leasehold Improvements	775.112	250.802	-	-	1.025.914
Construction in progress	18.255	398.537	-	(273.907)	142.885
	245.626.015	5.497.456	(7.641.414)	(4.388)	243.477.669
Accumulated depreciation:					
Land Improvements	(6.011.123)	(114.796)	-	-	(6.125.919)
Buildings	(26.525.200)	(970.666)	-	-	(27.495.866)
Machinery and equipment	(154.875.120)	(7.077.281)	7.629.834	-	(154.322.567)
Vehicles	(97.304)	(15.680)	-	-	(112.984)
Furniture and fixture	(4.022.318)	(342.223)	896	-	(4.363.645)
Leasehold Improvements	(770.890)	(46.263)	-	-	(817.153)
	(192.301.955)	(8.566.909)	7.630.730	-	(193.238.134)
Net book value	53.324.060				50.239.535

Current period depreciation and amortization expenses have been included in cost of goods sold amounting to TL 8.445.873, in operating expenses amounting to TL 121.036.

The movements of tangible assets as of December 31, 2014 are as follows:

	January 1, 2014	Additions	Disposals	Transfers	December 31, 2014
Cost:					
Land	482.197	-	(141.696)	-	340.501
Land Improvements	6.656.949	146.331	-	-	6.803.280
Buildings	42.046.367	1.932.229	(5.931)	105.137	44.077.802
Machinery and equipment	175.002.895	13.826.983	(2.041.115)	1.053.037	187.841.800
Vehicles	135.049	-	-	-	135.049
Furniture and fixture	5.288.127	1.026.607	(680.518)	-	5.634.216
Leasehold Improvements	3.570.213	-	(2.795.101)	-	775.112
Construction in progress	821.752	798.530	-	(1.602.027)	18.255
	234.003.549	17.730.680	(5.664.361)	(443.853)	245.626.015
Accumulated depreciation:					
Land Improvements	(5.903.679)	(107.444)	-	-	(6.011.123)
Buildings	(25.567.462)	(957.762)	24	-	(26.525.200)
Machinery and equipment	(149.797.152)	(7.086.936)	2.008.968	-	(154.875.120)
Vehicles	(81.624)	(15.680)	-	-	(97.304)
Furniture and fixture	(4.236.029)	(279.948)	493.659	-	(4.022.318)
Leasehold Improvements	(2.894.436)	(200.590)	2.324.136	-	(770.890)
	(188.480.382)	(8.648.360)	4.826.787	-	(192.301.955)
Net book value	45.523.167				53.324.060

(Currency –Turkish Lira (TL) unless otherwise indicated)

15. Intangible assets

	January 1, 2015	Additions	Disposals	Transfers	December 31, 2015
Costs:					
Rights	104.796	129.692	-	-	234.488
Software programs	7.710.104	993.385	-	4.388	8.707.877
Capitalized development project costs	11.887.630	5.466.111	-	-	17.353.741
R&D projects in progress	2.369.280	-	-	-	2.369.280
	22.071.810	6.589.188	-	4.388	28.665.386
Accumulated depreciation:					
Rights	(89.169)	(14.556)	-	-	(103.725)
Software programs	(5.061.979)	(898.573)	-	-	(5.960.552)
R&D projects	(5.036.456)	(3.506.274)	-	-	(8.542.730)
	(10.187.604)	(4.419.403)	-	-	(14.607.007)
Net book value	11.884.206				14.058.379

There are no collaterals, pledges or mortgages on tangible assets (2014- None). Current period amortization has been included in the cost of goods sold amounting to TL 4.318.295, TL 101.108 in operating expenses.

	January 1, 2014	Additions	Disposals	Transfers	December 31, 2014
Costs:					
Rights	351.383	-	(246.587)	-	104.796
Software programs	5.615.481	1.665.499	(14.729)	443.853	7.710.104
Capitalized development project costs	7.139.041	4.748.589	-	-	11.887.630
R&D projects in progress	2.647.239	-	(277.959)	-	2.369.280
	15.753.144	6.414.088	(539.275)	443.853	22.071.810
Accumulated depreciation:					
Rights	(305.940)	(18.859)	235.630	-	(89.169)
Software programs	(3.851.399)	(1.214.768)	4.188	-	(5.061.979)
R&D projects	(2.560.096)	(2.476.360)	-	-	(5.036.456)
	(6.717.435)	(3.709.987)	239.818	-	(10.187.604)
Net book value	9.035.709				11.884.206

16. Goodwill

None (2014: None).

(Currency –Turkish Lira (TL) unless otherwise indicated)

17. Government incentives and grants

	December 31, 2015	December 31, 2014
Research and development projects incentive (*)	4.076.424	3.299.364
	4.076.424	**3.299.364**

(*) Group, as a result of Research and Development Center application, has been granted to obtain, Industry and Trade Ministry's Research and Development Center Certificate on October 25, 2010 consists of the incentive amount received according to 5746 numbered Research and Development Activities in Support of the Law on the framework provided in the amount of Research and Development Center staff on the wages benefited income Tax, Stamp Tax, Social Security incentives and TUBITAK.

Government incentives, as a finance tool in order to clarify their expenditure item instead of accounting in profit or loss, rather than investment costs reduction as an element statement of financial position (balance sheet) has been associated with and related assets over the useful lives on a systematic basis in profit or loss is recognized.

18. Financial liabilities - borrowing costs

	December 31, 2015		December 31, 2014	
	Weighted average annual effective interest rate %	TL	Weighted average annual effective interest rate %	TL
Short term bank loans				
TL borrowings	11,29	97.526.632	9,21	73.388.431
Euro borrowings	1,09	32.434.573	1,47	26.415.043
USD borrowings	1,35	9.149.042	1,57	21.781.582
Pound borrowings	2,38	4.627.553	2,49	5.444.496
Total		**143.737.800**		**127.029.552**
Interest accrual		2.717.599		2.290.878
		146.455.399		**129.320.430**

Explanations of nature and level of risks in financial liabilities are given in Note 33.

19. Provisions, contingent assets and contingent liabilities

Contingent assets and liabilities:

	December 31, 2015	December 31, 2014
Bails received and guarantee notes	11.103.022	7.312.372
Received letters of guarantee	4.064.758	4.820.195
Mortgages	1.655.050	1.655.050
	16.822.830	**13.787.617**

Guarantees received has been received essentially regarding the sale made from customers. The associated part of letter of guarntee received with financial risks are shown in Note 33. Company's exports are also insured by Turkish Eximbank.

(Currency –Turkish Lira (TL) unless otherwise indicated)

19. Provisions, contingent assets and contingent liabilities (continued)

Group's colleterals, pledge and mortgage ("CPM") position is as follows:

	December 31, 2015					December 31, 2014				
	TL Equivalency	TL	USD	Euro	Other	TL Equivalency	TL	USD	Euro	Other
A. Total amount of CPM's given for companies own legal entity	119.593.604	29.150.770	25.943.268	4.723.750	-	59.169.010	17.323.608	14.604.879	2.011.220	641.000
Collateral	119.593.604	29.150.770	25.943.268	4.723.750	-	59.169.010	17.323.608	14.604.879	2.011.220	641.000
Pledge										
Mortgage	-	-	-	-	-	-	-	-	-	-
B. Total amount of CPM's given on behalf of fully consolidated companies										
Collateral	-	-	-	-	-	-	-	-	-	-
Pledge	-	-	-	-	-	-	-	-	-	-
Mortgage	-	-	-	-	-	-	-	-	-	-
C.Total amount of CPM's given for continuation of its economic activities on behalf of third parties										
Collateral	-	-	-	-	-	-	-	-	-	-
Pledge	-	-	-	-	-	-	-	-	-	-
Mortgage	-	-	-	-	-	-	-	-	-	-
D. Total amount of other CPM's given										
i. Total amount of CPM's given on behalf of the majority shareholder										
Collateral	-	-	-	-	-	-	-	-	-	-
Pledge	-	-	-	-	-	-	-	-	-	-
Mortgage	-	-	-	-	-	-	-	-	-	-
ii. Total amount of CPM's given to on behalf of other Group companies which are not in scope of B and C										
Collateral	-	-	-	-	-	-	-	-	-	-
Pledge	-	-	-	-	-	-	-	-	-	-
Mortgage	-	-	-	-	-	-	-	-	-	-
iii.Total amount of CPM's given on behalf of third parties which are not in scope of C										
Collateral	-	-	-	-	-	-	-	-	-	-
Pledge	-	-	-	-	-	-	-	-	-	-
Mortgage	-	-	-	-	-	-	-	-	-	-
Total CPM	**119.593.604**	**29.150.770**	**25.943.268**	**4.723.750**	**-**	**59.169.010**	**17.323.608**	**14.604.879**	**2.011.220**	**641.000**

(Currency –Turkish Lira (TL) unless otherwise indicated)

19. Provisions, contingent assets and contingent liabilities (continued)

The ratio between other CPM's given by the Group and the Group's equity is 0% as of December 31, 2015. (December 31, 2014 : 0%)

Letters of guarantee are given to various Customs Directorates. As of December 31, 2015 and December 31, 2014, the Group has no other given CPMs.

20. Commitments

Group, under the inward processing authorization documents, has export commitment amounting USD 19.760.525 (December 31, 2014: USD 14.400.000).

Leasing contracts:

Group's expenses associated with current year operating leases are TL 2.322.703. (December 31, 2014: TL 3.490.567)

The Group's lease commitments related to operating leases are as follows:

	December 31, 2015	December 31, 2014
Up to 1 year	581.366	1.584.022
1-5 year	251.641	1.702.296
	833.007	**3.286.318**

21. Provision and liabilities related to employee benefits

Short term provision for employee benefits:

	December 31, 2015	December 31, 2014
Unused vacation liability	1.313.970	1.809.510
Wages payable	1.127.454	1.616.168
Taxes & funds payable	1.334.326	1.367.843
Social security deductions	1.494.016	1.656.165
	5.269.766	**6.449.686**

For the periods ended on December 31, the movement of vacation pay provision is as follows:

	2015	2014
January 1	1.809.510	1.429.012
Released during the period, net	2.807.499	2.089.603
No longer required	(3.303.039)	(1.709.105)
December 31	**1.313.970**	**1.809.510**

(Currency –Turkish Lira (TL) unless otherwise indicated)

21. Provision for employment termination benefits (continued)

Provisions for short-term employee benefits:

	December 31, 2015	December 31, 2014
Bonus provision	-	1.050.000
	-	**1.050.000**

Provisions for long-term employee benefits:

	December 31, 2015	December 31, 2014
Provision for employee termination benefits	12.052.495	8.631.508
	12.052.495	**8.631.508**

Under the Turkish Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women).

The amount payable consists of one month's salary limited to a maximum of TL 4.092,53 for each year of service as of December 31, 2015 (December 31, 2014 - TL 3.541,37). The amount payable consists of one month's salary limited to a maximum of TL 4.092,53 as of January 1, 2015.

IAS 19 ("Employee Benefits") suggests that the Group's liabilities are developed using the actuarial valuation techniques within the scope of defined benefit plans. Accordingly, the actuarial assumptions used in the calculation of total liabilities are mentioned below:

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Therefore, as of December 31, 2015, provisions in the accompanying consolidated financial statements, future, contingent liabilities due to retirement of employees is calculated by estimating the present value. Provisions in the balance sheet dates, 7,30% of the annual inflation rate and 11,00% of discount rate is calculated on the estimations obtained as 3,45% real discount rate used (December 31, 2014: 3,30%).Estimated turnover rate for probability of retirement is calculated as 96,75%. The severance pay amount that not given to the employee, as a consequence of optional reginations, is taken into account. Employees of the Group as of December 31, 2015 of 3,25% are more likely to leave the job with their requests. (December 31, 2014: 3,41%).

For the periods ended December 31; movements in the provision for employment termination benefits are as follows:

	2015	2014
January 1	8.631.508	6.999.085
Interest cost	949.466	664.913
Cost of services	4.838.834	2.708.583
Actuarial gain / loss	3.129.625	690.209
Payments	(5.496.938)	(2.431.282)
December 31	**12.052.495**	**8.631.508**

(Currency –Turkish Lira (TL) unless otherwise indicated)

22. Other assets & liabilities

Derivative financial instruments

	December 31, 2015	December 31, 2014
Derivative financial assets	1.516.756	3.805.171
	1.516.756	**3.805.171**

	December 31, 2015	December 31, 2014
Derivative financial liabilities	792.772	92.657
	792.772	**92.657**

A part of the Group' sale has been preserved with foreign currency forward contracts.

The nominal amounts of the foreign currency forward contracts are Euro 36.000.000, USD 9.000.000 and GBP 4.200.000.

Other current assets	December 31, 2015	December 31, 2014
VAT return to be requested	789.368	582.563
Deferred VAT	8.533.290	5.407.909
Job advances	258.294	92.740
Other	578.040	346.588
	10.158.992	**6.429.800**

Other short term liabilities	December 31, 2015	December 31, 2014
Cost provision	1.608.642	1.491.665
Other	-	6.682
	1.608.642	**1.498.347**

23. Equity

A) Share capital:

Shareholders and share percentages of the Group as of December 31, 2015 and 2014 are as follows:

	TL	Share (%)
Hacı Ömer Sabancı Holding A.Ş.	16.878.507	57,88
Publicly listed and Other (*)	12.281.493	42,12
	29.160.000	**100,00**

(*) TL 10.612.565 of the listed part and its other item represents the publicly listed part and its rate is 36,39% (December 31, 2014 TL 8.930.818 of the listed part and its other item represents the publicly listed part and its rate is 30,63%).

(Currency –Turkish Lira (TL) unless otherwise indicated)

23. Equity (continued)

The Group's authorized and issued share capital is registered nominal value of Kr 1 each , shares consists of 2.916.000.000 shares (2014: 2.916.000.000)

B) Restricted reserves:

The statutory financial statements other than legal reserves, retained earnings, subject to the legal reserve requirement referred to below are available for distribution.

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital.

C) Foreign currency conversion differences:

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

The movements in the foreign currency conversion differences are as follows:

	December 31, 2015	December 31, 2014
Opening balance	439.996	485.928
Overseas company's net assets conversion exchange differences	167.867	(45.932)
Closing balance	**607.863**	**439.996**

(Currency –Turkish Lira (TL) unless otherwise indicated)

23. Equity (continued)

Dividend distribution

Companies whose shares are traded at the stock exchange are subject to the dividend condition imposed by CMB as follows:

According to Article 19 of the Capital Market Law numbered 6362 which took effect on December 30, 2012, and the "Communiqué on Profit Share" numbered II-19.1 effective as of February 1, 2014, listed companies shall distribute their profits as part of the profit distribution policies to be determined by their general assemblies and in accordance with the related regulation provisions. Regarding the profit distribution policies of listed companies, the assembly may set different principles on the basis of similar companies.

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

Dividends in public companies, as of the distribution date of the shares available to all, irrespective of their date of issuance and acquisition is evenly distributed.

According to current regulations partnerships, profits dividend policy will be determined by the General Assembly and in accordance with the decision of the general meeting in accordance with the relevant legislation distributes. In said regulations, at least one distribution rate is noted. Companies based in contract or in the manner specified in the dividend distribution policy will pay dividends. In addition, dividends may be paid in installments equal or different, consistent and interim financial statements of the profits will be able to distribute cash dividend advances.

Group's dividend payment made in the current period is TL 17.496.000.

24. Sales

	January 1- December 31, 2015	January 1- December 31, 2014
Export sales	158.134.867	168.674.406
Domestic sales	105.560.475	150.384.128
	263.695.342	**319.058.534**

(Currency –Turkish Lira (TL) unless otherwise indicated)

25. Cost of sales

	January 1- December 31, 2015	January 1- December 31, 2014
Raw materials and material expenses	(102.848.269)	(117.573.606)
Direct labor costs	(32.759.984)	(37.655.154)
General production expenses	(55.684.195)	(64.288.294)
Depreciation and amortization expense	(12.764.168)	(11.971.626)
Changes in inventories of semi-finished goods	3.138.153	4.159.931
Changes in inventories of finished goods	20.904.726	6.558.459
Cost of finished goods sold	**(180.013.737)**	**(220.770.290)**
Cost of trade goods sold	**(27.456.341)**	**(21.123.209)**
Change in provision for impairment of inventories	2.139.019	(2.402.380)
Cost of sales	**(205.151.059)**	**(244.295.879)**

26. Research and development expenses, marketing, selling and distribution expenses and general administrative expenses

Marketing, selling and distribution expenses	January 1- December 31, 2015	January 1- December 31, 2014
Personnel	(4.491.712)	(4.967.153)
Consulting	(6.353.966)	(7.482.327)
Export and freight	(14.867.583)	(18.043.042)
Marketing	(567.028)	(548.208)
Rent	(1.124.441)	(1.925.358)
Transportation	(610.652)	(689.271)
Depreciation and amortization	(111.032)	(292.621)
Advertising	(57.748)	(412.549)
Other	(1.925.272)	(2.501.610)
Total Marketing, selling and distribution expenses	**(30.109.434)**	**(36.862.139)**

(Currency –Turkish Lira (TL) unless otherwise indicated)

26. Research and development expenses, marketing, selling and distribution expenses and general administrative expenses (continued)

General administrative expenses	January 1- December 31, 2015	January 1- December 31, 2014
Personnel	(4.761.237)	(5.682.594)
Consulting	(1.500.353)	(213.938)
Rent	(745.634)	(692.556)
Retirement pay liability (Note 21)	(5.788.299)	(3.373.496)
Vacation payment provision (Note 21)	495.540	(380.498)
Depreciation and amortization	(60.801)	(49.280)
Other	(2.071.412)	(990.918)
Total general administrative expenses	**(14.432.196)**	**(11.383.280)**

Research and Development Expenses	January 1- December 31, 2015	January 1- December 31, 2014
Personnel	(755.064)	(959.215)
Depreciation and amortization	(50.311)	(44.820)
Other	(344.432)	(421.463)
Total research and development expenses	**(1.149.807)**	**(1.425.498)**

27. Other operating income / expense

	January 1- December 31, 2015	January 1- December 31, 2014
Raw material and scrap material sales income	251.403	438.425
Price difference reclamation income	214.735	193.769
Foreign exchange gain from trade receivables and payables	16.122.312	9.894.700
Delay interest income	37.902	13.930
Textile employer union income	712.525	1.849.600
Turquality incentive income	1.399.916	643.771
Incentives to participating fairs	888.375	521.238
Other	1.587.590	455.875
Total other income / profit	**21.214.758**	**14.011.308**

	January 1- December 31, 2015	January 1- December 31, 2014
Gain on sale of tangible asset sales	1.077.678	19.463.629
Total income from investment activities	**1.077.678**	**19.463.629**

(Currency –Turkish Lira (TL) unless otherwise indicated)

27. Other operating income / expense (continued)

	January 1- December 31, 2015	January 1- December 31, 2014
Monthly fees	(357.237)	(715.103)
Special transaction tax	(29.153)	(41.024)
Compensations and penalties	(125.931)	(866.498)
Raw material and scrap material sales expense	(16.914)	(25.827)
Non-tax deductible expenses	(439.251)	(69.688)
Foreign exchange loss from trade receivables and payables	(5.412.948)	(7.970.543)
Provision expense	-	(491.072)
Donations	(14.983)	(517.837)
Interest expense	(609.924)	-
Insurance claim expense	-	(246.390)
Other	(361.707)	(300.156)
Total other expense / loss	**(7.368.048)**	**(11.244.138)**

28. Expense by nature

A) Accrued wages and salaries

	January 1- December 31, 2015	January 1- December 31, 2014
Cost of goods sold	(39.953.771)	(42.947.582)
Marketing, selling and distribution expenses	(3.551.712)	(3.843.188)
General administrations expense	(3.907.601)	(4.866.009)
Research and development expense	(755.064)	(959.215)
	(48.168.148)	**(52.615.994)**

B) Distribution of depreciation and amortization

	January 1- December 31, 2015	January 1- December 31, 2014
Cost of goods sold	(12.764.168)	(11.971.626)
Marketing, selling and distribution expenses	(111.032)	(292.621)
General administrations expense	(60.801)	(49.280)
Research and development expense	(50.311)	(44.820)
	(12.986.312)	**(12.358.347)**

(Currency –Turkish Lira (TL) unless otherwise indicated)

29. Financial expenses

	January 1- December 31, 2015	January 1- December 31, 2014
Foreign exchange expense	(11.186.411)	(2.141.853)
Interest expense	(9.496.337)	(8.709.619)
Other finance expense	(1.874.660)	(1.620.963)
	(22.557.408)	**(12.472.435)**

30. Available for sale long-term assets and stopped operations

None (2014: None).

31. Tax assets and liabilities

Tax amounts recognized in the balance sheet table is as follows.

	December 31, 2015	December 31, 2014
Current income tax payable	-	3.597.717
Less: Prepaid taxes	(234.964)	(3.486.637)
	(234.964)	**111.080**

Corporation tax

The Group's main shareholder, the Company is subject to corporation tax applicable in Turkey. The Company's current period results of operations for the estimated tax liabilities in the financial statements is necessary provisions. Taxable income will be accrued over the corporate tax rate, commercial earnings expense in determining post from the tax base deductible expenses, and from resident companies, dividends received, tax exempt income and investment incentives utilized remaining after the base is calculated over.

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

In Turkey, advance tax quarterly periods are calculated and accrued. Corporate income tax periods in 2014 as of a temporary stage of taxation on corporate earnings in the temporary tax is calculated at 20% (2014: 20%).

Losses to be deducted from the taxable profit in future years, carried maximum 5 years. Damages retroactively, can not be deducted from the profits of the previous year.

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

The Group's foreign-based subsidiaries, Yünsa Germany Gmbh in Germany, Yünsa Italia SRL in Italy, Yünsa UK Limited in the UK and Yünsa USA Inc. Is installed in the United States, they are subject to the tax legislation of the country. Since the companies' activities are limited, there is no important amount of tax liability.

(Currency –Turkish Lira (TL) unless otherwise indicated)

31. Tax assets and liabilities (continued)

Income tax stopage:

In addition to corporate taxes, in the event of distribution, acquired dividends and that their dividends in corporate gain by declaring resident companies and foreign companies in Turkey distributed to other, except over the dividends further income tax withholding will be calculated. Income tax withholding April 24, 2003 - July 22, 2006 was 10% in all companies. This ratio from 22 July 2006, 2006/10731 by the Council of Ministers is 15%. Undistributed dividends incorporated in share capital are not subject to income tax withholding.

Investment incentive certificates obtained prior to 24 April 2003 relating to investment allowances amounting to 19.8% withholding tax is required. After this date, no withholding tax on the investment incentive certificate is made. The Constitutional Court of 15 October 2009 in the Income Tax Act on the temporary investment incentive in Article 69 of the 2006, 2007 and 2008 were canceled phrases. This time limitation on the investment allowance was eliminated aforementioned decision was published in the Official Gazette dated 8 January 2010. Published in the Official Gazette dated 1 October 2010 Income Tax General Communiqué No. 276 series, with the Income Tax Law with the Law No. 6009 of the 69th After the changes made in the article, the Income Tax Act regarding investment allowance 69th agent is situated in the business of investment incentive law of 2006, 2007 and 2008 with regulations which limit shall be canceled and year limitation being removed but this time the tax base in the determination of investment allowance, deduct the amount to be related earnings to 25% and use of the investment allowance remaining after the corporate income tax rate will be subject to 20% are indicated.

Group investments that benefit from a discount of 10% corporation tax rate has been applied.

December 31, 2015 and 2014 for the years ended tax amounts recognized in the income statement are as follows:

	December 31, 2015	December 31, 2014
- Deferred tax income / (expense)	(325.759)	820.715
	(325.759)	**820.715**

Deferred tax

The Group recognises deferred tax assets and liabilities based upon temporary differences arising between their financial statements as reported under CMB Financial Reporting Standards and their statutory tax financial statements. Deferred income taxes for entities operating in Turkey are calculated on temporary differences that are expected to be realised or settled based on the taxable income in coming years under the liability method using a principal tax rate of 20% (December 31 2014 - %20).

(Currency –Turkish Lira (TL) unless otherwise indicated)

31. Tax assets and liabilities (continued)

The breakdowns of cumulative temporary differences and the resulting deferred tax assets/liabilities provided as of December 31, 2015 and 2014 using principal tax rates are as follows:

	Cumulative temporary differences		Deferred tax assets / (liabilities)	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Investment allowance	(811.615)	(833.245)	162.323	166.649
Tangible and intangible assets	(9.058.241)	(9.215.502)	1.811.648	1.843.100
Inventories	8.041.913	(2.420.735)	(1.608.383)	484.147
Provision for employee termination benefits	(12.052.495)	(8.631.508)	2.410.499	1.726.301
Other provisions	376.082	(1.704.230)	(75.216)	340.847
Unaccrued financial expense (net)	(10.540.007)	261.684	2.108.002	(52.337)
Derivative financial assets	1.516.756	3.805.171	(303.351)	(761.034)
Derivative financial liabilities	(792.772)	(92.657)	158.554	18.531
Deferred tax assets - net			**4.664.076**	**3.766.204**

	December 31, 2015	December 31, 2014
Deferred tax assets that expected to benefit more than a year	4.384.470	3.736.050

The movement of deferred tax assets is as follows:

	December 31, 2015	December 31, 2014
Balance at January 1	**3.766.204**	**5.228.901**
Current year deferred tax income / (expense)	(325.759)	820.715
Derivative financial assets for deferred tax	597.706	(2.421.454)
Actuarial gain / loss on deferred tax	625.925	138.042
	4.664.076	**3.766.204**

Income tax expense can be reconciled to the accounting profit as follows:

	January 1-December 31, 2015	January 1-December 31, 2014
Profit generated from operating activities before tax	5.219.826	34.850.102
Income tax rate 20% (2014: 20%)	1.043.965	6.970.020
Tax effects of:		
- Disallowable expenses	84.444	209.386
- Research and development deduction	(625.216)	(987.897)
- The sale of land exempt from tax	-	(2.801.109)
Other	(112.239)	(100.965)
Tax exempt income	(60.869)	(176.846)
Investment allowances	(4.326)	(335.587)
Provision for income tax expense	**325.759**	**2.777.002**

(Currency –Turkish Lira (TL) unless otherwise indicated)

32. Earnings per share

	December 31, 2015	December 31, 2014
Net profit	4.894.067	32.073.100
Per 1 Kr. in nominal value Weighted average number of shares	2.916.000.000	2.916.000.000
Earnings per share (Kr.)	0,0017	0,0110

(Currency –Turkish Lira (TL) unless otherwise indicated)

33. Nature and extent of risks arising from financial instruments

Credit risks exposed by the types of financial instruments	Receivables						
	Trade receivables		Other receivables				
December 31, 2015	Related Parties	Third Party	Related Parties	Third Party	Bank Deposits	Derivative Instruments	Other
Maximum amount of risk exposed as of reporting date (*) (A+B+C+D+E)	-	96.257.454	-	1.745.506	4.013.999	-	-
- Secured portion of the maximum credit risk by guarantees etc.	-	43.146.275	-	-	-	-	-
A. Net book value of financial assets neither due nor impaired	-	91.323.970	-	1.745.506	4.013.999	-	-
B. Net book value of aasets whose conditions renegotiated, otherwise will be classified as past due or impaired	-	-	-	-	-	-	-
C. Net book value of assets past due but not impaired	-	4.933.484	-	-	-	-	-
- Secured portion covered by guarantees etc.	-	4.712.974	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-
- Past due (gross book value)	-	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-	-
- Secured portion covered with guarantees etc.	-	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-	-
- The part covered with guarantees	-	-	-	-	-	-	-
E. Off- balance sheet items including risk	-	-	-	-	-	-	-

(*) While determining the related amounts, the factors that increase the credit reliability such as guarantees received, have not been considered.

(Currency –Turkish Lira (TL) unless otherwise indicated)

33. Nature and extent of risks arising from financial instruments (continued)

Credit risks exposed by the types of financial instruments	Receivables						
	Trade receivables		Other receivables				
December 31, 2014	Related Parties	Third Party	Related Parties	Third Party	Bank Deposits	Derivative Instruments	Other
Maximum amount of risk exposed as of reporting date (*) (A+B+C+D+E)	2.282	122.604.418	-	1.750.096	13.051.563	-	-
- Secured portion of the maximum credit risk by guarantees etc.	-	35.387.773	-	-	-	-	-
A. Net book value of financial assets neither due nor impaired	2.282	119.545.493	-	1.750.096	13.051.563	-	-
B. Net book value of aasets whose conditions renegotiated, otherwise will be classified as past due or impaired	-	-	-	-	-	-	-
C. Net book value of assets past due but not impaired	-	3.058.925	-	-	-	-	-
- Secured portion covered by guarantees etc.	-	2.838.505	-	-	-	-	-
D. Net book value of impaired assets	-	-	-	-	-	-	-
- Past due (gross book value)	-	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-	-
- Secured portion covered with guarantees etc.	-	-	-	-	-	-	-
- Not due (gross book value)	-	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-	-
- The part covered with guarantees	-	-	-	-	-	-	-
E. Off- balance sheet items including risk	-	-	-	-	-	-	-

(*) While determining the related amounts, the factors that increase the credit reliability such as guarantees received, have not been considered.

(Currency –Turkish Lira (TL) unless otherwise indicated)

33. Nature and extent of risks arising from financial instruments (continued)

a.1 Credit risk management

As of December 31,2015, a portion of trade receivables amounting to TL 307.731 consist of receivables from credit card slip and maturity up to 3 monts (December 31, 2014: TL 2.075.725).

At balance sheet date, the total amount of overdue receivables and guarantees received for these receivables is as follows:

	December 31, 2015	December 31, 2014
Overdue for 1-30 days	572.376	1.042.897
Overdue for 1-3 months	1.816.139	752.450
Overdue for 3-12 months	2.336.793	900.411
Overdue for 1 year	208.176	363.167
Total past due receivables	**4.933.484**	**3.058.925**
Secured portion covered by guarantees etc.	4.712.974	2.838.595

Guarantees received for the overdue receivables that not reserved any provision:

	December 31, 2015	December 31, 2014
Export insurance	4.712.974	2.838.595
	4.712.974	**2.838.595**

a.2 Liquidity risk management

Ultimate responsibility belongs to the Board of Directors for liquidity risk management. The Board of Directors has created an appropriate liquidity risk management for the Group's short, medium and long-term funding and liquidity management requirements.

The following table shows the details of the Group's expected maturity for its non-derivative financial liabilities. Non-derivative financial liabilities is prepared on the basis of undiscounted cash flows and on the earliest dates. The interest payments on the obligations in question were included in the following table.

(Currency –Turkish Lira (TL) unless otherwise indicated)

33. Nature and extent of risks arising from financial instruments (continued)

Liquidity risk table:

December 31, 2015 Contractual maturities	Book value	Total cash outflows (I+II)	Less than 3 months (I)	3-12 months (II)
Non-derivative financial liabilities:				
Bank credits	146.455.399	147.275.284	59.367.565	87.907.719
Trade payables	36.436.729	36.948.443	29.798.014	7.150.429
Total Liabilities	**182.892.128**	**184.223.727**	**89.165.579**	**95.058.148**

December 31, 2015 Contractual maturities	Book value	Total cash outflows (I+II)	Less than 3 months (I)	3-12 months (II)
Derivatives financial assets				
Other financial assets	723.984	31.951.425	7.693.500	24.257.925
Total assets	**723.984**	**31.951.425**	**7.693.500**	**24.257.925**

December 31, 2014 Contractual maturities	Book value	Total cash outflows (I+II)	Less than 3 months (I)	3-12 months (II)
Non-derivative financial liabilities:				
Bank credits	129.320.430	130.967.947	100.335.635	30.632.312
Trade payables	43.022.855	43.574.384	38.741.982	4.832.402
Total Liabilities	**172.343.285**	**174.542.331**	**139.077.617**	**35.464.714**

December 31, 2014 Contractual maturities	Book value	Total cash outflows (I+II)	Less than 3 months (I)	3-12 months (II)
Derivative financial liabilities				
Other financial liabilities	3.712.514	91.694.831	14.717.703	76.977.128
Total liabilities	**3.712.514**	**91.694.831**	**14.717.703**	**76.977.128**

(Currency –Turkish Lira (TL) unless otherwise indicated)

33. Nature and extent of risks arising from financial instruments (continued)

b.3.1) Credit risk management:

Group is exposed to foreign currency risk, principally the USD, Euro and GBP.

The Group's foreign currency denominated monetary and non-monetary assets and liabilities as of the balance sheet date are as follows:

December 31, 2015	TL Equivalency (Functional Currency)	USD	EURO	Yen	GBP	Other
1. Trade receivables	48.928.038	2.446.413	11.468.428	-	1.234.950	1.185
2a. Monetary financial assets (Cash, bank accounts included)	1.758.864	545.632	30.945	-	16.716	739
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	-	-	-	-	-	-
4. Current assets (1+2+3)	**50.686.902**	**3.012.046**	**11.499.374**	**-**	**1.251.666**	**1.924**
5. Trade receivables	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-
6b.Non- Monetary financial assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
8. Non-current assets (5+6+7)	-	-	-	-	-	-
9. Total assets (4+8))	**50.686.902**	**3.012.045**	**11.499.374**	**-**	**1.251.666**	**1.924**
10. Trade payables	19.543.786	5.241.680	1.338.756	-	10.323	1.588
11. Financial liabilities	46.316.025	3.164.905	10.222.915	-	1.076.432	-
12a. Other monetary liability	-	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-	-	-
13. Current liabilities (10+11+12)	**65.859.811**	**8.406.586**	**11.561.671**	**-**	**1.086.755**	**1.588**
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-
17. Non-current liabilities (14+15+16)	-	-	-	-	-	-
18. Total liabilities (13+17)	**65.859.811**	**8.406.585**	**11.561.671**	**-**	**1.086.755**	**1.588**
19.Net asset/liability position of off-balance sheet derivatives (19a-19b)	**(158.624.940)**	**(9.000.000)**	**(36.000.000)**	**-**	**(4.200.000)**	**-**
19a. Foreign currency derivatives accounted assets	52.266.000	-	13.200.000	-	2.400.000	
19b. Foreign currency derivatives accounted liabilities	210.890.940	9.000.000	49.200.000	-	6.600.000	-
20. Net foreign currency position (9-18+19)	**(173.797.849)**	**(14.394.540)**	**(36.062.298)**	**-**	**(4.035.090)**	**336**
21. Monetary items net foreign currency asset/ liability position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(15.172.909)**	**(5.394.540)**	**(62.298)**	**-**	**164.910**	**336**
22. Fair value of financial assets for foreign currency hedge	-	-	-	-	-	-
23. The amount of Currency Hedged portion of assets	-	-	-	-	-	-
24 The amount of Currency Hedged portion of liabilities						
25. Export - January 1 –December 31, 2015	**158.134.867**	**12.564.587**	**34.573.157**	**-**	**4.128.580**	**-**
26.Import - January 1- December 31, 2015	**94.596.257**	**29.081.396**	**4.476.291**	**1.108.310**	**33.572**	**154.707**

(Currency –Turkish Lira (TL) unless otherwise indicated)

33. Nature and extent of risks arising from financial instruments (continued)

December 31, 2014	TL Equivalency (Functional Currency)	USD	EURO	Yen	GBP	Other
1. Trade receivables	51.259.567	7.495.649	9.967.698	575.300	1.580.334	29.000
2a. Monetary financial assets (Cash, bank accounts included)	10.969.529	4.619.028	81.353	-	7.901	248
2b. Non-monetary financial assets	-	-	-	-	-	-
3. Other	-	-	-	-	-	-
4. Current assets (1+2+3)	**62.229.096**	**12.114.677**	**10.049.051**	**575.300**	**1.588.235**	**29.248**
5. Trade receivables	-	-	-	-	-	-
6a. Monetary financial assets	-	-	-	-	-	-
6b.Non- Monetary financial assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
8. Non-current assets (5+6+7)	-	-	-	-	-	-
9. Total assets (4+8))	**62.229.096**	**12.114.677**	**10.049.051**	**575.300**	**1.588.235**	**29.248**
10. Trade payables	20.236.044	6.328.069	1.922.464	-	38.706	-
11. Financial liabilities	53.850.327	9.432.295	9.398.238	-	1.520.583	-
12a. Other monetary liability	-	-	-	-	-	-
12b. Other non-monetary liabilities	-	-	-	-	-	-
13. Current liabilities (10+11+12)	**74.086.371**	**15.760.364**	**11.320.702**	-	**1.559.289**	-
14. Trade payables	-	-	-	-	-	-
15. Financial liabilities	-	-	-	-	-	-
16a. Other monetary liabilities	-	-	-	-	-	-
16b. Other non-monetary liabilities	-	-	-	-	-	-
17. Non-current liabilities (14+15+16)	-	-	-	-	-	-
18. Total liabilities (13+17)	**74.086.371**	**15.760.364**	**11.320.702**	-	**1.559.289**	-
19.Net asset/liability position of off-balance sheet derivatives (19a-19b)	**(108.688.920)**	**(6.000.000)**	**(33.600.000)**	-	-	-
19a. Foreign currency derivatives accounted assets	-	-	-	-	-	-
19b. Foreign currency derivatives accounted liabilities	108.688.920	6.000.000	33.600.000	-	-	-
20. Net foreign currency position (9-18+19)	**(120.546.195)**	**(9.645.687)**	**(34.871.651)**	**575.300**	**28.946**	**29.248**
21. Monetary items net foreign currency asset/ liability position (=1+2a+5+6a-10-11-12a-14-15-16a)	**(11.857.275)**	**(3.645.687)**	**(1.271.651)**	**575.300**	**28.946**	**29.248**
22. Fair value of financial assets for foreign currency hedge	-	-	-	-	-	-
23. The amount of Currency Hedged portion of assets	-	-	-	-	-	-
24 The amount of Currency Hedged portion of liabilities	-	-	-	-	-	-
25. Export - January 1 –December 31, 2014	**168.674.406**	**18.733.627**	**37.961.014**	-	**4.435.419**	-
26.Import - January 1- December 31, 2014	**123.240.916**	**42.924.393**	**9.006.589**	**137.500**	**26.536**	**117.822**

Group is exposed to foreign exchange risk, due to the impact of rate changes of foreign currency denominated assets and liabilities translated into Turkish Lira the foreign exchange risk, foreign currency position is monitored and limited by the analysis.

The following table details the Group's USD, Euro and GBP exchange rates and decrease sensitivity to a 10% increase in shows. Rate of 10%, to senior managers in the Group is the rate used when reporting foreign currency risk, the rate of administration of the possible change in foreign exchange rates implies.

(Currency –Turkish Lira (TL) unless otherwise indicated)

33. Nature and extent of risks arising from financial instruments (continued)

	December 31, 2015	
	Profit/Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
10% change in USD rate		
1 – USD net asset/liability	(1.568.516)	1.568.516
2- Hedged amount (-)	-	-
3- USD net effect (1 +2)	**(1.568.516)**	**1.568.516**
10% change in EURO rate		
4 - EURO net asset/liability	(19.796)	19.796
5 - Hedged amount (-)	-	-
6- EURO net effect (4+5)	**(19.796)**	**19.796**
10% change in GBP rate		
7- GBP net asset/liability	70.923	(70.923)
8- Hedged amount (-)	-	-
9- GBP net effect (7+8)	**70.923**	**(70.923)**
10% change in CHF rate		
10- CHF net asset/liability	98	(98)
11- Hedged amount (-)	-	-
12- CHF net effect (10+11)	**98**	**(98)**
TOTAL(3 + 6 +9+12)	**(1.517.291)**	**1.517.291**

	December 31, 2014	
	Profit/Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
10% change in USD rate		
1 – USD net asset/liability	(845.398)	845.398
2- Hedged amount (-)	-	-
3- USD net effect (1 +2)	**(845.398)**	**845.398**
10% change in EURO rate		
4 - EURO net asset/liability	(358.695)	358.695
5 - Hedged amount (-)	-	-
6- EURO net effect (4+5)	**(358.695)**	**358.695**
10% change in GBP rate		
7- GBP net asset/liability	10.409	(10.409)
8- Hedged amount (-)	-	-
9- GBP net effect (7+8)	**10.409**	**(10.409)**
10% change in CHF rate		
10- CHF net asset/liability	1.113	(1.113)
11- Hedged amount (-)	-	-
12- CHF net effect (10+11)	**1.113**	**(1.113)**
TOTAL(3 + 6 +9+12)	**(1.185.728)**	**1.185.728**

(Currency –Turkish Lira (TL) unless otherwise indicated)

33. Nature and extent of risks arising from financial instruments (continued)

b.3.2) Interest rate risk management

Group is exposed to interest rate risk due to Group's borrow funds at both fixed and floating interest rates. Mentioned risk is managed by maintaining an appropriate distribution between the fixed and floating rate borrowings by the Group.

The Group's interest rate sensitive financial instruments are as follows:

Interest position table

	December 31, 2015	December 31, 2014
Financial instruments with floating interest rate		
Financial assets	1.516.756	3.805.171
Financial liabilities	792.772	92.657

At the reporting date, 1% decrease/increase in interest rates and all other variables are held constant:

If as of December 31, 2015, the TL currency denominated interest rate is 1% points higher /lower and all other variables held constant, consists of TL 7.240 pre-tax profit / loss (December 31, 2014: TL 37.125).

34. Financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

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

1) Financial assets

The carrying amounts of foreign currency denominated monetary assets which are translated at year end exchange rates are considered to approximate their fair values.

The carrying values of cash and cash equivalents are estimated to be their fair values since they are short term.

The carrying values of trade receivables are estimated to be their fair values.

(Currency –Turkish Lira (TL) unless otherwise indicated)

34. Financial instruments (continued)

2) Monetary Liabilities

The fair values of short-term financial liabilities and other financial liabilities are estimated to be at their fair values since they are short term.

December 31, 2015	Loans and receivables (including cash and cash equivalents)	Available for sale financial assets	Amortized financial liabilities	Book Valur	Note
Financial Assets					
Cash & cash equivalents	4.015.374	-	-	4.015.374	6
Trade receivables	96.257.454	-	-	96.257.454	8
Related party receivables	-	-	-	-	7
Other receivables	1.745.506	-	-	1.745.506	9
Financial liabilities					
Financial liabilities	-	-	146.455.399	146.455.399	18
Trade payables	-	-	36.072.771	36.072.771	8
Payables to related parties	-	-	363.958	363.958	7

December 31, 2014	Loans and receivables (including cash and cash equivalents)	Available for sale financial assets	Amortized financial liabilities	Book Value	Note
Financial Assets					
Cash & cash equivalents	13.058.543	-	-	13.058.543	6
Trade receivables	122.604.418	-	-	122.604.418	8
Related party receivables	2.282	-	-	2.282	7
Other receivables	1.750.096	-	-	1.750.096	9
Financial liabilities					
Financial liabilities	-	-	129.320.430	129.320.430	18
Trade payables	-	-	42.982.766	42.982.766	8
Payables to related parties	-	-	40.089	40.089	7

Derivative Financial Instruments (Future contracts)

The Group concludes future contracts in foreign currency markets. The aforementioned future contracts concluded with respect to hedging in accordance with the risk management policies of the Company are recognized with their fair value under "derivative financial assets" (if revenue) or "derivative financial liabilities" (if expense) in financial statements since they do not provide appropriate conditions for hedge accounting according to IAS 39 Financial Instruments: Recognition and Measurement.

Fair value of derivative financial instruments are accepted as future cash income discounted to balance sheet date or public market prices. All the financial instruments are carried as asset when their fair values are positive and as liabilities when they have a negative fair value.

Gains and losses sourcing from increase and decrease in fair values of derivative instruments which cannot provide appropriate conditions for hedge accounting are directly linked with income statement.

(Currency –Turkish Lira (TL) unless otherwise indicated)

34. Financial instruments (continued)

Fair value hierarchy:

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: unobservable inputs for the asset or liability.

Fair value hierarchy as of December 31, 2015 and 2014 are as follows:

Assets	**Level 1**	**Level 2**	**Level 3**	**Total**
December 31, 2015				
Derivatives	-	723.984	-	**723.984**
Total	**-**	**723.984**	**-**	**723.984**

Liabilities	Level 1	Level 2	Level 3	Total
December 31, 2014				
Derivatives	-	3.712.514	-	3.712.514
Total	**-**	**3.712.514**	**-**	**3.712.514**

35. Events after balance sheet date

None.

36. Contingent liabilities

Deduction of book value of shares related to subsidiary from the profit of the company by Yünsa in 2010 because of the liquidation of its subsidiary SKT Giyim San. ve Tic. A.Ş. was criticized since there is no provisions allowing the aforementioned deduction in tax laws and a tax principal and a tax loss fine at an amount of TL 1.096.447,67 and TL1.644.671,51 respectively is requested related to the year 2010 by Büyük Mükellefler Vergi Dairesi. No payment shall be made since the aforementioned tax assessment is considered to be against tax laws and the case shall be brought to law. That is to say, loss related to the liquidation of subsidiary is a trading loss and deduction of the aforementioned loss from the profit of the company merely depends upon article 38 of Income Tax Law defining net corporation profit and 40/1 article of Income Tax Law regarding general expenses. As a consequence, there is no inconvenience in deducting of expenses and losses, which is not banned by any laws not having an inappropriateness or collusion and exposed with respect to ensure commercial earning, having a root cause with trading activities. Loss which is exposed because of liquidation is commercial and there is no provision prohibiting the aforementioned deduction either in Income tax Law numbered 193 or Corporate Tax Law numbered 5520. It specified in provisions of the aforementioned laws that it is prohibited to unjust use of rights and prevented the unjust interventions against the use of related rights. Therefore, an uninhibited expense, having a root cause with the profit of the company, should be deducted from profit of the company. Moreover, the Ruling dated 09.06.2011 and numbered B.07.1.GİB.4.35.16.01-176300-225 is shown as the basis for aforementioned assessment by the Ministry of Finance. On the other hand, the contrary of the aforementioned Ruling is justified in the Rulings of Ministry of Finance dated 14.4.2006 and 20.12.2006 and stated that losses in question can be considered as expense in the determination of profit of the company. Comments of Ministry of Finance regarding the issue are inconsistent.

Hence, it can be observed from the judicial decisions taken by both council of state and also tax courts that the losses in question can be deducted from the profit of the company.

The occurring loss should be deducted from the profit of the company since it cause a decrease in equities of companies provided that the shares in subsidiaries remains worthless as a result of liquidation. The comment stating that "loss sourcing from liquidation of subsidiary cannot be recognized as expense", which is not adjudicated by the legislator precisely and cannot be stated in a financial manner, is an opinion against the wording and spirit/nature of tax laws given in the favor of Tax Administration.

It is considered that it is not required to make a provision in accordance with the "TAS 37 – Contingent Debts and Contingent Liabilities" standard since there is no liability sourcing as of the end of reporting period because of aforementioned assessments made in an unlawful manner when all the explanations made above are taken into consideration.