**TAT GIDA SANAYİ A.Ş.**
**(FORMERLY TAT**
**KONSERVE SANAYİİ A.Ş)**
**AND ITS SUBSIDIARY**

CONSOLIDATED FINANCIAL
STATEMENTS FOR THE YEAR
ENDED 31 DECEMBER 2014

(translated into English from
the original Turkish copy)

**(CONVENIENCE TRANSLATION OF INDEPENDENT AUDITOR’S REPORT ORIGINALLY ISSUED IN TURKISH)**

# INDEPENDENT AUDITOR’S REPORT

**To the Board of Directors of Tat Gıda Sanayi A.Ş.**

## Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Tat Gıda Sanayi A.Ş. (“the Company”) and its subsidiaries (together will be referred as “the Group”), which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management’s Responsibility for the Consolidated Financial Statements*

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

*Auditor’s Responsibility*

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

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

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

*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of ABC A.Ş. and its subsidiaries as at 31 December 2014, and of their financial performance and their cash flows for the year then ended in accordance with Turkish Accounting Standards.

**Report on Other Legal and Regulatory Requirements**

In accordance with paragraph four of the Article 402 of the Turkish Commercial Code No. 6102 (“TCC”), nothing has come to our attention that may cause us to believe that the Group’s set of accounts and financial statements prepared for the period 1 January-31 December 2014 does not comply with TCC and the provisions of the Company’s articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

In accordance with paragraph four of the Article 398 of TCC, the auditor’s report on the system and the committee of early detection of risk has been submitted to the Board of Directors of the Company on 20 February 2015.

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

Yaman Polat, SMMM
Partner

İstanbul, 20 February 2015

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**TAT GIDA SANAYİ A.Ş. AND ITS SUBSIDIARY**

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2014

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

| **ASSETS** | | **31 December 2014** | **31 December 2013** |
|---|---|---|---|
| **CURRENT ASSETS** | | **501.427.175** | **437.292.376** |
| Cash and cash equivalents | 6 | 95.098.784 | 10.330.825 |
| Trade receivables | | 182.768.954 | 208.265.991 |
| -Due from related parties | 29 | 124.935.047 | 138.097.731 |
| -Trade receivables from third parties | 9 | 57.833.907 | 70.168.260 |
| Other receivables | 10 | 965.853 | 10.614 |
| Inventories | 11 | 181.598.900 | 159.295.645 |
| Prepaid expenses | 12 | 962.564 | 433.883 |
| Prepaid taxes | 28 | 5.640.247 | - |
| Other current assets | 20 | 34.391.873 | 18.973.896 |
| Assets held for sale | 27 | - | 39.981.522 |
| **NON CURRENT ASSETS** | | **162.538.767** | **129.625.687** |
| Other receivables | 9 | 76.207 | 74.970 |
| Financial investments | 6 | 3.327.374 | 4.564.874 |
| Investments accounted by the equity method | 13 | 9.156.530 | - |
| Property, plant and equipment | 14 | 130.506.378 | 108.773.384 |
| Intangible assets | 15 | 1.352.614 | 603.087 |
| Prepaid expenses | 12 | 163.957 | 90.977 |
| Deferred tax assets | 28 | 3.050.109 | 2.727.174 |
| Other non current assets | 19 | 14.905.598 | 12.791.221 |
| **TOTAL ASSETS** | | **663.965.942** | **566.918.063** |

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

## TAT GIDA SANAYİ A.Ş. AND ITS SUBSIDIARY

CONSOLIDATED BALANCE SHEETS AS OF 31 DECEMBER 2014

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

| **LIABILITIES** | **Notes** | **31 December 2014** | **31 December 2013** |
|---|---|---|---|
| **CURRENT LIABILITIES** | | **253.169.591** | **224.613.441** |
| Short term borrowings | 8 | 56.182.743 | 2.265.742 |
| Short-term portion of long-term borrowings | 8 | 82.497.326 | 127.811.887 |
| Trade payables | | 86.857.734 | 77.120.455 |
| -Trade payables to related parties | 29 | 9.052.336 | 7.191.710 |
| -Trade payables to third parties | 9 | 77.805.398 | 69.928.745 |
| Current employment benefit payables | 19 | 3.842.937 | 1.601.326 |
| Other payables | | 6.561.573 | 5.330.786 |
| -Other payables to related parties | 29 | 2.015.370 | 394.980 |
| -Other payables to third parties | 10 | 4.546.203 | 4.935.806 |
| Deferred income | 12 | 6.940.554 | 2.508.658 |
| Current tax liabilities | 28 | - | 1.317.107 |
| Short term provisions | | 10.286.724 | 2.891.230 |
| -Short-term provisions for employment benefits | 19 | 1.800.000 | 2.836.230 |
| -Other short term provisions | 17 | 8.486.724 | 55.000 |
| Liabilities related to asset groups held for sale | | - | 3.766.250 |
| **NON CURRENT LIABILITIES** | | **60.833.747** | **120.490.832** |
| Long term borrowings | 8 | 50.000.000 | 109.940.100 |
| Long term provisions for employement benefits | 19 | 10.833.747 | 10.550.732 |
| **EQUITY** | | **349.962.604** | **221.813.790** |
| **Equity attributable to equity holders of the parent company** | | **349.962.604** | **201.722.586** |
| Share capital | 21 | 136.000.000 | 136.000.000 |
| Inflation adjustment to share capital | 21 | 21.601.088 | 21.601.088 |
| Share premiums | | 10.107.809 | 10.107.809 |
| Items that may be reclassified subsequently to profit or loss | | 1.744.091 | 2.981.591 |
| -Financial assets revaluation reserve | | 1.744.091 | 2.981.591 |
| Items that will not be reclassified subsequently to profit or loss | | (250.666) | 533.935 |
| -Actuarial losses in defined benefit plan | | (250.666) | 533.935 |
| Restricted reserves | | 60.404 | 60.404 |
| Prior years' profit | | 30.437.759 | 27.943.690 |
| Net profit for the period | | 150.262.119 | 2.494.069 |
| **Non-controlling interests** | 21 | - | **20.091.204** |
| **TOTAL LIABILITIES** | | **663.965.942** | **566.918.063** |

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

## TAT GIDA SANAYİ A.Ş. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

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

| | Notes | 1 January 31 December 2014 | 1 January 31 December 2013 |
|---|---|---|---|
| **Continuing Operations** | | | |
| Revenue | 22 | 817.038.173 | 696.073.159 |
| Cost of sales (-) | 22 | (644.807.905) | ( 537.928.236) |
| **GROSS PROFIT** | | **172.230.268** | **158.144.923** |
| Marketing expenses (-) | 23 | (97.318.420) | ( 91.623.336) |
| General administrative expenses (-) | 23 | (33.279.595) | ( 27.612.398) |
| Research and development expenses | | (12.429) | ( 20.609) |
| Other income from operating activities | 24 | 22.007.506 | 12.124.134 |
| Other expenses from operating activities | 24 | (12.750.032) | ( 5.635.727) |
| **Operating Profit** | | **50.877.298** | **45.376.987** |
| Income from investing activities | 25 | 11.118.416 | 9.877.527 |
| Expense from investing activities (-) | 25 | ( 666.535) | ( 468.759) |
| Share of profit/(loss) of investments accounted by the equity method | 13 | ( 4.343.470) | 473.547 |
| **OPERATING PROFIT BEFORE FINANCE EXPENSE** | | **56.985.709** | **55.259.302** |
| Financial expense (-) | 26 | (21.543.612) | ( 22.905.949) |
| **PROFIT BEFORE TAX FROM CONTINUING OPERATIONS** | | **35.442.097** | **32.353.353** |
| **Tax expense from continuing operations** | | | |
| Current tax expense | 28 | (8.303.094) | ( 4.176.285) |
| Deferred tax expense/income | 28 | 598.373 | ( 1.466.844) |
| **PROFIT FOR THE PERIOD FROM CONTINUING OPERATIONS** | | **27.737.376** | **26.710.224** |
| **DISCONTINUED OPERATIONS** | | | |
| Profit/(Loss) after tax from discontinued operation | 27 | 122.524.743 | ( 37.004.215) |
| **PERIOD PROFIT / (LOSS)** | | **150.262.119** | **(10.293.991)** |
| **Allocation of profit /(loss) for the period** | | | |
| Attributable to non-controlling interests | | - | ( 12.788.060) |
| Attributable to equity holders of the parent company | | 150.262.119 | 2.494.069 |
| | | **150.262.119** | **(10.293.991)** |
| **(Loss) / earnings per share (TL)** | | **1,10** | **( 0,08)** |
| Earnings / (loss) per share from continuing operations | | 0,20 | 0,20 |
| Earnings / (loss) per share from discontinued operations | | 0,90 | ( 0,27) |
| **Other Comprehensive Income / (Loss)** | | | |
| Change in financial assets revaluation reserve | | ( 1.237.500) | ( 375.000) |
| Actuarial gain/loss in defined benefit plan | | ( 784.601) | 533.935 |
| **TOTAL COMPREHENSIVE INCOME/ (LOSS)** | | **148.240.018** | **(10.135.056)** |
| **Allocation of total comprehensive income/(loss)** | | | |
| Non-controlling interests | | - | (12.788.060) |
| Attributable to equity holders of the parent company | | 148.240.018 | 2.653.004 |
| | | **148.240.018** | **( 10.135.056)** |

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

## TAT GIDA SANAYİ A.Ş. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2014

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

| | | | | | Items that may be reclassified subsequently to profit or loss | Items that will not be reclassified subsequently to profit or loss | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note references | Share capital | Inflation adjustment to share capital | Share premium | Financial assets revaluation reserve | Actuarial gain/losses in defined benefit plan | Restricted reserves | Net profit for the period | Prior years' profit | Equity attributable to equity holders of the parent company | Non-controlling interests | Total equity |
| **Balance at 1 January 2013** | | **136.000.000** | **21.601.088** | **10.107.809** | **3.356.591** | **-** | **60.404** | **2.695.963** | **25.247.727** | **199.069.582** | **32.879.264** | **231.948.846** |
| Transfers | | - | - | - | - | - | - | (2.695.963) | 2.695.963 | - | - | - |
| Total compherensive income | | - | - | - | (375.000) | 533.935 | - | 2.494.069 | - | 2.653.004 | (12.788.060) | (10.135.056) |
| **Balance at 31 December 2013** | 21 | **136.000.000** | **21.601.088** | **10.107.809** | **2.981.591** | **533.935** | **60.404** | **2.494.069** | **27.943.690** | **201.722.586** | **20.091.204** | **221.813.790** |
| **Balances at 1 January 2014** | | **136.000.000** | **21.601.088** | **10.107.809** | **2.981.591** | **533.935,00** | **60.404** | **2.494.069** | **27.943.690** | **201.722.586** | **20.091.204** | **221.813.790** |
| Transfers | | - | - | - | - | - | - | (2.494.069) | 2.494.069 | - | - | - |
| Disposal of a subsidiary | | - | - | - | - | - | - | - | - | - | (20.091.204) | (20.091.204) |
| Total compherensive income | | - | - | - | (1.237.500) | (784.601) | - | 150.262.119 | - | 148.240.018 | - | 148.240.018 |
| **Balance at 31 December 2014** | 21 | **136.000.000** | **21.601.088** | **10.107.809** | **1.744.091** | **(250.666)** | **60.404** | **150.262.119** | **30.437.759** | **349.962.604** | **-** | **349.962.604** |

## TAT GIDA SANAYİ A.Ş. AND ITS SUBSIDIARY

CONSOLIDATED CASH FLOW STATEMENTS FOR THE YEAR ENDED
31 DECEMBER 2014

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

| | Note references | 1 January 31 December 2014 | 1 January 31 December 2013 |
|---|---|---|---|
| Profit before tax from continuing operations | | 35.442.097 | 32.353.353 |
| Profir before tax before discontinued operations ( Note : 27 ) | | 126.821.784 | (29.353.564) |
| **Adjustments to reconcile profit/loss for the period** | | | |
| Bargain purchase gain | 3 | (9.324.023) | - |
| Adjustments in inventory changes | 11 | (380.415) | 1.297.664 |
| Adjustment regarding depreciation and amortization | 14,15 | 9.340.861 | 13.697.584 |
| Provision for impairment of assets held for sale | 27 | - | 18.763.830 |
| Adjustments related to employement benefit | 19 | 4.968.219 | 3.521.971 |
| Provision for doubtful receivables | 9 | 865.853 | 316.211 |
| Impairment of property, plant and equipment | 14 | - | 339.557 |
| Gain on sales of property, plant and equipment | 25 | (1.794.393) | (1.864.509) |
| Loss on sale of property, plant and equipment | 25 | 666.535 | 129.202 |
| Provision of lawsuits | 17 | 1.628.014 | (117.100) |
| Adjustment regarding unused vacation provision | 19 | 100.000 | 217.971 |
| Adjustment regarding other provisions | 17 | 6.803.710 | - |
| Share of loss/(profit) of investments accounted by the equity method | 13 | 4.343.470 | (473.547) |
| Adjustments related to dividend income | 24 | - | (2.297.396) |
| Adjustments related to accrued income | | (6.184.155) | (3.613.568) |
| Gain on sale of associate shares | 13 | - | (8.029.966) |
| Gain on sale of non current assets held for sale | 27 | (145.480.622) | - |
| Unrealized foreign currency differences from financial liabilities | | (1.618.400) | (466.000) |
| Interest income | | (907.723) | (271.013) |
| Interest expense | 26 | 21.543.612 | 22.905.949 |
| **Changes in working capital** | | **46.834.424** | **47.056.629** |
| Changes in trade receivables | | 19.709.702 | 14.487.906 |
| Changes in related party receivables | | 13.162.684 | (10.343.443) |
| Changes in inventories | | (19.874.379) | (15.773.604) |
| Changes in prepaid expenses | | (471.630) | 3.021.346 |
| Change in non current assets held for sale. | | - | (14.334.614) |
| Changes in liabilities related to asset groups held for sale | | (5.318.750) | - |
| Changes in other current and non current assets | | (12.230.868) | (4.730.662) |
| Changes in trade payables | | 7.726.890 | 15.322.045 |
| Changes in payables to related parties | | 3.481.016 | (66.893) |
| Changes in deferred revenue | | 4.431.896 | (360.661) |
| Changes in employment benefit payables | | 2.241.611 | 192.195 |
| Changes in other liabilities | | (819.939) | 1.641.380 |
| Changes in provisions for employee benefits | | (1.136.230) | 500.553 |
| **The cash flows from operating activities** | | **57.736.427** | **36.612.177** |
| Employement benefits paid | 19 | (2.700.538) | (2.508.511) |
| Taxes paid | 28 | (15.260.447) | (6.267.023) |
| **Net cash flows from operating activities** | | **39.775.442** | **27.836.643** |
| | | | |
| **Investing Activities** | | | |
| Purchases of property, plant and equipment and intangible assets | 14,15 | (16.887.300) | (23.126.991) |
| Proceeds from sales of property, plant and equipment, intangible assets | | 7.390.471 | 17.155.617 |
| Acquisiton of joint venture | 27 | 170.615.686 | - |
| Cash proceeds from disposal of associate | 13 | (13.500.000) | - |
| Purchase of subsidiary | 13 | - | 15.000.000 |
| Cash inflows from short-term financial investments | 3 | (32.271.190) | - |
| Dividends from investments | | - | 2.297.396 |
| Interest received | | 907.723 | 271.013 |
| **Net cash flows from investing activities** | | **116.255.390** | **11.597.035** |
| | | | |
| **Financial Activities** | | | |
| Cash inflows from borrowings | | 55.200.000 | 102.602.353 |
| Cash outflows for borrowings | | (154.250.533) | (159.271.782) |
| Cash provided from bond issue | | 50.000.000 | 50.000.000 |
| Paid interests | | (22.212.340) | (23.461.534) |
| **Net cash flows used in financing activities** | | **(71.262.873)** | **(30.130.963)** |
| **Net change in cash and cash equivalents** | | **84.767.959** | **9.302.715** |
| **Cash and cash equivalents at beginning of period** | 6 | **10.330.825** | **1.028.110** |
| **Cash and cash equivalents at end of period** | 6 | **95.098.784** | **10.330.825** |

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

## NOTE 1 - ORGANISATION AND OPERATIONS OF THE GROUP

Tat Gıda Sanayi A.Ş. ("Tat Gıda" or "the Company") was established in 1967 with the name Tat Konserve Sanayii A.Ş., the name change of the Company was decided at the extraordinary assembly meeting on 30 October 2013 and registered on 15 November 2013. The Company is engaged in production, distribution, marketing, domestic and foreign trade and brokerage of semi finished goods and finished goods of such products; merchandise goods, food, beverage, juice, agricultural and animal products, frozen foods, dried goods, including pulverized goods and raw and primitive form of materials recipient and additives, sweet and sugar free juice and caned goods. The Company is registered in Turkey and is operating in accordance with the Turkish Commercial Code. The Company has 1.045 employees at 31 December 2014 (31 December 2013: 1.044).

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

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

Moova Gıda Sanayi ve Ticaret A.Ş. ("Moova") the subsidary of the Company has operations in milk and diary products. Based on the decision taken at the meeting of Board of Directors on 1 July 2014, the Company signed share purchase and sale agreement to acquire the shares of Moova Gıda Sanayi ve Ticaret A.Ş. ("Moova") that representing 100% of the capital from Söktaş Tekstil Sanayi ve Ticaret A.Ş, Muharrem Hilmi Kayhan, Eyüp Hilmi Kayhan, Nihat Fadıl Erten ve Mehmet Yılmaz ("Sellers") with amount of TL 32.271.190 ("Closing Payment") that subjected to price adoption. The acquisition was completed at 20 August 2014.

Harranova Besi ve Tarım Ürünleri A.Ş. ("Harranova Besi") the subsidary of the Company had operations in tomato and livestock production. Based on the decision taken at the meeting of Board of Directors on 23 June 2014, the Company signed share transfer agreement to sell the all shares of Harranova Besi, already owned 10% shares in the Harranova Besi's capital, with the Morning Star Company ("Morningstar") which is stated in United States of America, State of California (Note 27). The sale transaction was completed at 1 October 2014.

Tedi İçecek Sanayi ve Ticaret A.Ş. the joint venture of the Company has operations in import and sale of fruit juice.

Parent company Tat Gıda Sanayi A.Ş., its subsidiary Moova and its joint venture Tedi İçecek Sanayi ve Ticaret A.Ş, will be reffered as "Group" in the accompanying notes.

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

The registered office address of the Company is as follows:

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

*Approval of financial statements:*

Consolidated financial statements are authorized for issue by Board of Directors meeting on 20 February 2015; on behalf of the Board of Directors Arzu Aslan Kesimer, Board Member, and Ahmet Çağaşan Yılmaz, Chief Financial Officer signed the consolidated financial statements. The General Assembly has authority to amend these consolidated financial statements.

## NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

### 2.1 The Basis for Presentation

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

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

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

The consolidated financial statements for the financial assets and liabilities measured at fair value, except on the basis of historical cost convention and in Turkish Lira ("TL") was prepared. Fair value of considerations paid for the assets is considered in determining the historical cost.

**Reporting and Functional Currency**

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

**Correction of financial statements of hyperinflation periods**

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

### 2.2 Consolidated Financial Statements of Comparative Information and Restatement of Prior Period

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

In order to comply with the presentation of the financial statements of the current period necessary, comparative figures are reclassified, and significant differences are explained. Reclassifications have been made on consolidated financial statements of Group as of 31 December 2013 are as follows:

- TL 12.791.221 of VAT receivables has been reclassified from "Other current assets" to "Other non current assets".

- TL 1.935.002 of sales advances received for future periods has been reclassified from "Trade payables to related parties" to "Deferred income".

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

**NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**

**2.3 Adoption of New and Revised Turkish Accounting Standards:**

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

a) Amendments to IFRSs affecting amounts reported and/or disclosures in the financial statements

None.

b) New and Revised IFRSs applied with no material effect on the consolidated financial statements

| | |
|---|---|
| Amendments to IFRS 10, 11, IAS 27 | *Investment Entities*[1] |
| Amendments to IAS 32 | *Offsetting Financial Assets and Financial Liabilities*[1] |
| Amendments to IAS 36 | *Recoverable Amount Disclosures for Non-Financial Assets*[1] |
| Amendments to IAS 39 | *Novation of Derivatives and Continuation of Hedge Accounting*[1] |
| IFRIC 21 | *Levies*[1] |

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

**Amendments to IFRS 10, 11, IAS 27 *Investment Entities***

This amendment with the additional provisions of IFRS 10 provide 'investment entities' (as defined) an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measure the investment in each eligible subsidiary at fair value through profit or loss.

**Amendments to IAS 32 *Offsetting Financial Assets and Financial Liabilities***

The amendments to IAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realization and settlement'.

**Amendments to IAS 36 *Recoverable Amount Disclosures for Non-Financial Assets***

As a consequence of IFRS 13 *Fair Value Measurements*, there are amendments in the explanations about the measurement of the recoverable amount of an impaired asset. This amendment is limited to non-financial assets and paragraphs 130 and 134 of IAS 36 has been changed.

**Amendments to IAS 39 *Novation of Derivatives and Continuation of Hedge Accounting***

This amendment to IAS 39 makes it clear that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met.

**IFRIC 21 *Levies***

IFRIC 21 identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation.

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

**NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**

**(c) New and revised IFRSs in issue but not yet effective**

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

| | |
|---|---|
| IFRS 9 | *Financial Instruments* [5] |
| Amendments to IAS 19 | *Defined Benefit Plans: Employee Contributions* [1] |
| Annual Improvements to 2010-2012 Cycle | *IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS 16 and IAS 38, IAS 24* [1] |
| Annual Improvements to 2011-2013 Cycle | *IFRS 1, IFRS 3, IFRS 13, IAS 40* [1] |
| IFRS 14 | *Regulatory Deferral Accounts* [2] |
| Amendments to IFRS 11 | *Accounting for Acquisition of Interests in Joint operations* [2] |
| Amendments to IAS 16 and IAS 38 | *Clarification of Acceptable Methods of Depreciation and Amortisation* [2] |
| Amendments to IAS 16 and IAS 41 | *Agriculture: Bearer Plants* [2] |
| IFRS 15 | *Revenue from Contracts with Customers* [4] |
| Amendments to IAS 27 | *Equity Method in Separate Financial Statements* [2] |
| Amendments to IAS 10 and IAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [2] |
| Annual Improvements to 2012-2014 Cycle | *IFRS 5, IFRS 7, IAS 9, IAS 34* [3] |
| Amendments to IAS 1 | *Disclosure Initiative* [2] |
| Amendments to IFRS 10, IFRS 12 and IAS 28 | *Investment Entities: Applying the Consolidation Exception* [2] |

[1] Effective for annual periods beginning on or after 1 July 2014.
[2] Effective for annual periods beginning on or after 1 January 2016.
[3] Effective for annual periods beginning on or after 1 July 2016.
[4] Effective for annual periods beginning on or after 1 January 2017.
[5] Effective for annual periods beginning on or after 1 January 2018.

**IFRS 9** ***Financial Instruments***

IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 was issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income (FVTOCI) measurement category for certain simple debt instruments.

**Amendments to IAS 19** ***Defined Benefit Plans: Employee Contributions***

This amendment clarifies the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service. In addition, it permits a practical expedient if the amount of the contributions is independent of the number of years of service, in that contributions, can, but are not required, to be recognised as a reduction in the service cost in the period in which the related service is rendered.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**

**2.3 Adoption of New and Revised Turkish Accounting Standards (cont'd):**

**(c) New and revised IFRSs in issue but not yet effective (cont'd)**

**Annual Improvements to 2010-2012 Cycle**

**IFRS 2:** Amends the definitions of 'vesting condition' and 'market condition' and adds definitions for 'performance condition' and 'service condition'

**IFRS 3:** Require contingent consideration that is classified as an asset or a liability to be measured at fair value at each reporting date.

**IFRS 8:** Requires disclosure of the judgements made by management in applying the aggregation criteria to operating segments, clarify reconciliations of segment assets only required if segment assets are reported regularly.

**IFRS 13:** Clarify that issuing IFRS 13 and amending IFRS 9 and IAS 39 did not remove the ability to measure certain short-term receivables and payables on an undiscounted basis (amends basis for conclusions only).

**IAS 16 and IAS 38:** Clarify that the gross amount of property, plant and equipment is adjusted in a manner consistent with a revaluation of the carrying amount.

**IAS 24:** Clarify how payments to entities providing management services are to be disclosed.

**Annual Improvements to 2011-2013 Cycle**

**IFRS 1:** Clarify which versions of IFRSs can be used on initial adoption (amends basis for conclusions only).

**IFRS 3:** Clarify that IFRS 3 excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself.

**IFRS 13:** Clarify the scope of the portfolio exception in paragraph 52.

**IAS 40:** Clarifying the interrelationship of IFRS 3 and IAS 40 when classifying property as investment property or owner-occupied property.

**IFRS 14 *Regulatory Deferral Accounts***

IFRS 14 *Regulatory Deferral Accounts* permits an entity which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

IFRS 14 was issued by the IASB on 30 January 2014 and is applies to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**

**2.3 Adoption of New and Revised Turkish Accounting Standards (cont'd):**

**(c) New and revised IFRSs in issue but not yet effective (cont'd)**

**Amendments to IFRS 11 *Accounting for Acquisition of Interests in Joint operations***

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11

- disclose the information required by IFRS 3 and other IFRSs for business combinations.

**Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation***

This amendment clarifies that that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

**Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants***

This amendment include "bearer plants" within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16. The amendment also introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of IAS 41.

**IFRS 15 *Revenue from Contracts with Customers***

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer
- Identify the performance obligations in the contract
- Determine the transaction price
- Allocate the transaction price to the performance obligations in the contracts

Recognise revenue when the entity satisfies a performance obligation.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**

**2.3 Adoption of New and Revised Turkish Accounting Standards (cont'd):**

**(c) New and revised IFRSs in issue but not yet effective (cont'd)**

**Amendments to IAS 27 *Equity Method in Separate Financial Statements***

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

**Amendments to IFRS 10 and IAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

**Annual Improvements 2012-2014 Cycle**

**IFRS 5:** Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

**IFRS 7:** Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements

**IAS 9:** Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid

**IAS 34:** Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference

**Amendments to IAS 1 *Disclosure Initiative***

This amendment addresses perceived impediments to preparers exercising their judgement in presenting their financial reports.

**Amendments to IFRS 10, 11, IAS 28 *Investment Entities: Applying the Consolidation Exception***

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.

- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.

- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

- An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

The Group evaluates the effects of these standards on the consolidated financial statements.

**NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**

**2.4 Restatement and Errors in the Accounting Policies and Estimates**

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

**2.5 Basis of Consolidation**

The consolidated financial statements include the accounts of Tat Gıda (the parent company) and the financial statements of its subsidiary (together the Group). The financial statements of the companies included in the scope of consolidation have been prepared at the date of the consolidated financial statements, and are prepared in accordance with CMB Financial Reporting Standards.

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

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

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

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

• the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
• potential voting rights held by the Company, other vote holders or other parties;
• rights arising from other contractual arrangements; and
• any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

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

Profit or loss and each component of the other comprehensive income are attributed to the owners of of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Investment in associate is accounted for by the equity method of accounting. These are entities over which the Company generally has between 20% and 50% of voting rights, or over which the Company has significant influence, but which it does not control. Unrealised gains that result from intercompany transactions between the Company and its associate is eliminated on consolidation, whereas unrealised losses are eliminated unless they do not address any impairment.

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

**NOTE 2 – BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**

**2.5 Basis of Consolidation (cont'd)**

The accounting policies of the Group financial statements of subsidiaries to bring the accounting policies are made to, if necessary.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

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

| | | | Proportion of ownership interest and voting power held by the Group % | |
|---|---|---|---|---|
| **Subsidiaries** | **Principal Activity** | **Place of incorporation and operation** | **31 December 2014** | **31 December 2013** |
| Harranova Besi | Tomato and livestock production | Şanlıurfa | - | 58,2% |
| Moova | Milk and dairy products | Aydın | 100,0% | - |

| | | | Proportion of ownership interest and voting power held by the Group % | |
|---|---|---|---|---|
| **Joint Venture** | **Principal Activity** | **Place of incorporation and operation** | **31 December 2014** | **31 December 2013** |
| Tedi İçecek Sanayi ve Ticaret A.Ş. | Fruit juice import and sales | İstanbul | 50,0% | - |

**2.6 Significant Accounting Policies**

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

**Cash and cash equivalents**

Cash and cash equivalents are carried at cost in the balance sheet. Cash and cash equivalents comprise cash in hand, bank deposits and highly liquid investments, whose maturity at the time of purchase is less than three months (Note 6).

**Related Parties**

For the purpose of these financial statements, Koç Holding A.Ş., shareholders, key management personnel and Board members, in each case together with their families and companies, associates and joint ventures controlled by or affiliated with them are considered and referred to as related parties (Note 29).

**Inventories**

Inventories are valued at the lower of cost and net realizable value. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of income/(loss) in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down (Note 11).

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**

**2.6 Summary of Significant Accounting Policies (Continued)**

**Property, plant and equipment**

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

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

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

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

**Intangible assets**

Computer software

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

**Corporate income taxes**

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

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

Current tax

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

**NOTE 2 - BASIS OF PRESENTATION OFCONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**

**2.6 Summary of Significant Accounting Policies (Cont'd)**

**Corporate income taxes (cont'd)**

Deferred tax

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

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

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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

Current and deferred tax for the period

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

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

### 2.6 Summary of Significant Accounting Policies (Cont'd)

**Financial instruments**

Financial assets

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

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

The effective interest method

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

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

Financial assets at FVTPL

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

Held-to-maturity investments

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

Available-for-sale financial assets

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

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

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

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**

**2.6 Summary of Significant Accounting Policies (Cont'd)**

**Financial instruments**

Trade receivables

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

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.
The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

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

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

Financial liabilities

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

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

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**

**2.6 Summary of Significant Accounting Policies (Cont'd)**

**Financial instruments (cont'd)**

*Financial liabilities at FVTPL*

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

*Other financial liabilities*

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

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

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

**Business combinations**

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value, except that:

- deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with IFRS 2 Share-based Payment at the acquisition date; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**

**2.6 Summary of Significant Accounting Policies (Cont'd)**

**Business combinations (Cont'd)**

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another IFRS.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with IAS 39, or IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are revised. The assets and liabilities acquired are recognized at the carrying amounts recognized previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity except that any share capital of the acquired entities is recognized as part of share premium. Any cash paid for the acquisition is recognized directly in equity.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**

**2.6 Summary of Significant Accounting Policies (Cont'd)**

**Goodwill**

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognized directly in profit or loss in the consolidated statement of profit or loss and other comprehensive income. An impairment loss recognized for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

The Group's policy for goodwill arising on the acquisition of an associate is described above.

**Provision for employee termination benefits**

Employment termination benefits, represents the present value of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labour Law, employment termination without due cause, call up for military service and death of the employees after at least one year work ( Note 19).

**Classified assets held for sale and discontinued operations**

A disposal group is a separate part of the Group in terms of its operations and cash flows, which is classified as held for sale or disposed of by the Group. A disposal group can be a separate operational or geographical segment, a part of a separate plan for the purpose of sale or disposal, or a subsidiary acquired for purpose of sale. The Group measures a non-current asset or a disposal group classified as held for sale at the lower of its carrying amount and fair value less costs to sell ( Note 27).

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**

**2.6 Summary of Significant Accounting Policies (Cont'd)**

**Provisions, Contingent assets and liabilities**

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

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

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

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

**Revenue**

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

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

• The Group transfers the significant risks and rewards of ownership of the goods to the buyer,

• The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold,

• The amount of revenue can be measured reliably,

• It is probable that the economic benefits associated with the transaction will flow to the entity,

• The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend and interest income:

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

**Credit finance income/charges**

Credit finance income/charges represent imputed finance income/charges on credit sales and purchases. Such income/charges are recognized as financial income or expenses over the period of credit sales and purchases, and included under financial income and expenses.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**

**2.6 Summary of Significant Accounting Policies (Cont'd)**

**Government incentives and grants**

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the income statement over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets

Government grants relating to expense component are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

Benefit of loan taken from Government with comperatively low interest rate than the market offers is accepted as Government Grants. Benefit gained over low interest rate is measured by subtracting gains from net book value of the loan at the beginning.

**Foreign currency transactions**

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

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

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

- Exchange differences which relate to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings;

- Exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur, which form part of the net investment in a foreign operation, and which are recognized in the foreign currency translation reserve and recognized in profit or loss on disposal of the net investment.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)**

**2.6 Summary of Significant Accounting Policies (Cont'd)**

**Discontinued operations**

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered through a sales transaction not through continuing use.

According to the decision taken by the Board of Directors on 29 June 2012, the Company's subsidiary Harranova Besi ve Tarım Ürünleri A.Ş. decided not to purchase new biological assets, and then decided to stop breeding activities. On 7 December 2012, the Company made an agreement with an independent and CMB listed expertise firm, to revalue Harranova Besi's property, plant and equipment related to breeding activities (Note 27).

**Earnings/(loss) per share**

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

**Statement of Cash Flows**

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

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

Cash flows from investment activities express cash used in investment activities (direct investments and financial investments) and cash flows generated from investment activities of the Group.

Cash flows relating to finance activities express sources of financial activities and payment schedules of the Group.

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

**Offsetting**

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

**2.7 Critical accounting estimates and assumptions**

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

**(a) Useful lives of property, plant and equipment**

The depreciation on property, plant and equipment is provided using the useful lives discussed in Note 14 to the consolidated financial statements.

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

## NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Cont'd)

### 2.7 Critical accounting estimates and assumptions ( cont'd)

**( b) Deferred tax assets**

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realised. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realise the deferred tax asset. The Group has recognised provision for a certain portfion of loss carry-forwards of Moova, the subsidiary purchased in the current year, in accordance with its profitability projections (Note 28). As the operations of Harranova Besi ceased in 2013, a provision for deferred tax assets have been accounted.

## NOTE 3- BUSINESS COMBINATIONS

Moova Gıda Sanayi ve Ticaret A.Ş. ("Moova") the subsidary purchased by the Company has operations in milk and diary products. Based on the decision taken at the meeting of Board of Directors on 1 July 2014, the Company purchased the shares of Moova Gıda Sanayi ve Ticaret A.Ş. ("Moova") that representing 100% of the capital from Söktaş Tekstil Sanayi ve Ticaret A.Ş, Muharrem Hilmi Kayhan, Eyüp Hilmi Kayhan, Nihat Fadıl Erten ve Mehmet Yılmaz ("Sellers") with amount of TL 32.271.190 ("Closing Payment") that subjected to price adoption at 20 August 2014.

| | **Principal Activity** | **Alım tarihi** | **Proportion of ownership** | **Considerationrs transfered** |
|---|---|---|---|---|
| Moova | Milk and dairy products | 20 August 2014 | %100 | 32.271.190 |

**Acquired assets and liabilities as at the acquisition date**

| | Moova |
|---|---|
| **Current assets** | |
| Trade and other receivables | 2.057.047 |
| Inventory | 2.048.461 |
| Other assets | 184.763 |
| **Non current assets** | |
| Property, plant and equipment | 29.849.070 |
| Intangible assets | 360.621 |
| VAT receivables | 6.203.230 |
| Deferred tax assets | 1.472.120 |
| **Other current liabilities** | |
| Trade and other payables | (580.099) |
| Fair value of the net assets of the acquired subsidiary | 41.595.213 |
| Minus: Consideration transferred | 32.271.190 |
| **Bargain purchase gain** | **9.324.023** |

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

## NOTE 4 –INTERESTS IN OTHER ENTITIES

The table below sets out the detailed information about the joint venture of the Group at 31 December 2014:

| | | | Proportion of ownership interest and voting power held by the Group % | |
|---|---|---|---|---|
| **Joint Venture** | **Principal Activity** | **Place of incorporation and operation** | **31 December 2014** | **31 December 2013** |
| Tedi İçecek Sanayi ve Ticaret A.Ş. | Fruit juice import and sales | İstanbul | 50,0% | - |

## NOTE 5 - SEGMENT REPORTING

Primary reporting format - business segment

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

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

(*) Maret trademark has been sold at 4 August 2014 as explained in Note 27.

The Group also evaluated disclosure of geographical distribution of revenues for the period in addition to industrial segments. However, the Groups concluded that there is no geographical reporting segments since the big chain groceries and Düzey Malları Sanayi Pazarlama A.Ş. are the main customers of the Group. The Group Management evaluates financial results and performance based of IFRS financial statements. Therefore, IFRS financial statements are the basis of segmental reporting.

Domestic sales and marketing activities are operated by the Düzey Tüketim Malları Sanayi Pazarlama ve Ticaret A.Ş., which is a member of Koç Group. Sales amount to the Düzey Tüketim Malları Sanayi Pazarlama ve Ticaret A.Ş. is TL 733.094.199 (31 December 2013: TL 674.855.529).

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

## NOTE 5 – SEGMENT REPORTING (Cont'd)

### a) For the year 1 January to 31 December 2014 Segmental analysis

| | Continuing Operations | | | | Discontinued Operations | | |
|---|---|---|---|---|---|---|---|
| | **Tomato paste and canned products** | **Milk and dairy products** | **Pasta and bakery products** | **Total** | **Tomato paste and canned products (*)** | **Meat and meat products** | **Total** |
| Revenues | 315.321.541 | 441.328.632 | 60.388.000 | 817.038.173 | 15.514.791 | 61.889.554 | 77.404.345 |
| Cost of sales | (227.215.314) | (364.195.591) | (53.397.000) | (644.807.905) | (17.011.074) | (65.290.251) | (82.301.325) |
| **Gross profit** | **88.106.227** | **77.133.041** | **6.991.000** | **172.230.268** | (1.496.283) | (3.400.697) | **(4.896.980)** |
| Operating expenses | | | | (121.352.970) | | | (13.761.858) |
| **Operating profit/loss** | | | | **50.877.298** | | | **(18.658.838)** |

### For the year 1 January to 31 December 2013 Segmental analysis

| | Continuing Operations | | | | Discontinued Operations | | |
|---|---|---|---|---|---|---|---|
| | **Tomato paste and canned products** | **Milk and dairy products** | **Pasta and bakery products** | **Total** | **Tomato paste and canned products (*)** | **Meat and meat products** | **Total** |
| Revenues | 241.944.832 | 394.274.649 | 59.853.678 | 696.073.159 | 46.142.647 | 97.101.433 | 143.244.080 |
| Cost of sales | (168.661.388) | (317.108.350) | (52.158.498) | (537.928.236) | (47.213.360) | (89.379.899) | (136.593.259) |
| **Gross profit** | **73.283.444** | **77.166.299** | **7.695.180** | **158.144.923** | **(1.070.713)** | **7.721.534** | **6.650.821** |
| Operating expenses | | | | (112.767.936) | | | (17.240.555) |
| **Operating profit/loss** | | | | **45.376.987** | | | **(10.589.734)** |

(*) It consists of tomato paste and canned products operations of Harranova Besi.

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

**NOTE 5 - SEGMENT REPORTING (Cont'd)**

**b) Segment assets**

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

Sales network and tangibles&intangibles in terms of the organizational structure of Tat Gıda are described as segment assets.

As of 31 December 2014 and 31 December 2013, the recorded amounts of the segment assets according to industrial segments are as follows:

| | **31 December 2014** | **31 December 2013** |
|---|---|---|
| Meat and meat products [(1)] | - | 9.976.507 |
| Tomatoe paste and canned products | 46.020.549 | 44.381.082 |
| Milk and dairy products | 79.340.479 | 44.732.682 |
| Pasta and bakery products | 4.779.579 | 4.966.544 |
| Assets that can not be allocated to departments | 1.718.385 | 5.319.656 |
| | **131.858.992** | **109.376.471** |

**c) Segment liabilities**

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

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

**d) Depreciation and amortization and capital expenditures**

Depreciation and amortization of the industrial segment assets for the years ended 31 December 2014 and 31 December 2013 are as follows:

| | **1 January 31 December 2014** | **1 January 31 December 2013** |
|---|---|---|
| Meat and meat products [(1)] | - | 1.530.066 |
| Tomato paste and canned products | 4.343.759 | 8.484.444 |
| Milk and dairy products | 4.189.811 | 2.942.588 |
| Pasta and bakery products | 471.648 | 456.705 |
| Depreciation and amortization charges that can not be allocated to segments | 335.643 | 283.781 |
| | **9.340.861** | **13.697.584** |

(1) Meet and meet products in industrial segment will be ceased after completion of sale processes. In this context, assets that are used in production in meet and meet products and liabilities that are related to these assets are classified as asset held for sale and liabilities are classified as liabilities held for sale in the current period (Note 27).

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

**NOTE 5 - SEGMENT REPORTING (Continued)**

**d) Depreciation and amortization and capital expenditures (Continued)**

For the years ended 31 December 2014 and 31 December 2013, investment expenditures for the industrial segment assets are as follows:

| | **1 January 31 December 2014** | **1 January 31 December 2013** |
|---|---|---|
| Meat and meat products [(1)] | - | 1.192.789 |
| Tomato paste and canned products | 12.615.076 | 7.638.176 |
| Milk and dairy products | 32.491.457 | 12.821.403 |
| Pasta and bakery products | 968.277 | 1.298.484 |
| Capital expenditures that can not be allocated to segments | 1.022.181 | 184.613 |
| | **47.096.991** | **23.135.465** |

(1) Meet and meet products in industrial segment will be ceased after completion of sale processes. In this context, assets that are used in production in meet and meet products and liabilities that are related to these assets are classified as asset held for sale and liabilities are classified as liabilities held for sale in the current period (Note 27).

**NOTE 6 – CASH AND CASH EQUIVALENTS**

The details of cash and cash equivalents as of 31 December 2014 and 31 December 2013 are as follows:

| | **31 December 2014** | **31 December 2013** |
|---|---|---|
| Cash | - | 2.296 |
| Banks | 95.098.674 | 10.328.419 |
| -Time deposit - TL | 93.000.000 | 5.276.160 |
| -Demand deposit - TL | 590.184 | 1.963.679 |
| -Time deposit - foreign currency | 1.275.395 | - |
| -Demand deposit - foreign currency | 233.095 | 3.088.580 |
| Others | 110 | 110 |
| | **95.098.784** | **10.330.825** |

Maturity of time deposit is between 1 January 2015 and 27 February 2015 and the interest rate is between 8,5%-11,60% for TL, 0,50 for USD (31 December 2013: Maturity of time deposit is 2 January 2014 and the interest rate is 7.25%).

Nature and level of risks associated with Cash and Cash Equivalents have been explained in Note 30.

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

## NOTE 7 – FINANCIAL ASSESTS

The details of financial investments as of 31 December 2014 and 31 December 2013 are as follows:

| Long term financial assets | % | 31 December 2014 | % | 31 December 2013 |
|---|---|---|---|---|
| Available for sale financial assets | | | | |
| Ram Dış Ticaret A.Ş. | 7,5 | 2.775.000 | 7,5 | 4.012.500 |
| Düzey Tüketim Malları Sanayi Pazarlama A.Ş. | 1,1 | 544.641 | 1,1 | 544.641 |
| Others | | 7.733 | | 7.733 |
| | | **3.327.374** | | **4.564.874** |

## NOTE 8– FINANCIAL BORROWINGS

The details of financial borowings as of 31 December 2014 and 31 December 2013 are as follows:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Shor term borrowings | 56.182.743 | 2.265.742 |
| Short-term portion of long-term borrowings | 32.418.341 | 127.811.887 |
| Bonds issued | 50.078.985 | - |
| **Total short term borrowings** | **138.680.069** | **130.077.629** |
| | | |
| Long term borrowings | - | 59.940.100 |
| Bonds issued | 50.000.000 | 50.000.000 |
| **Total long term borrowings** | **50.000.000** | **109.940.100** |
| | | |
| | **188.680.069** | **240.017.729** |

Group issued bonds on 14 March 2013 amounting to 50.000.000 TL with a maturity of 12 March 2015 and 7,31% interest rate. Group issued bonds on 25 December 2014 amounting to 50.000.000 TL with a maturity of 23 December 2016 and 9,68% interest rate.

There is no mortgage given related to the Group's financial liabilities (31 December 2013: None).

The Group's loans have fixed interest rates. Details of financial liabilities as at 31 December 2014 is as follows:

| | The weighted average interest rate | Original Amount | 31 December 2014 |
|---|---|---|---|
| **Short term financial borrowings** | | | |
| TL borrowings | 10,08% | 56.182.743 | 56.182.743 |
| | | | **56.182.743** |
| **Short-term portion of long-term borrowings** | | | |
| TL borrowings and interest | 11,15% | 16.186.041 | 16.186.041 |
| USD borrowings | 4,25% | 7.000.000 | 16.232.300 |
| Bonds issued | 7,31% | 50.000.000 | 50.000.000 |
| Interest of bonds issued | | 78.985 | 78.985 |
| | | | **82.497.326** |
| **Long term financial borrowings** | | | |
| Bonds issued | 9,68% | 50.000.000 | 50.000.000 |
| | | | **50.000.000** |

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

**NOTE 8 – FINANCIAL BORROWINGS (Cont'd)**

The details of financial liabilities at 31 December 2013 are as follows:

| | The weighted average interest rate | Original Amount | 31 December 2013 |
|---|---|---|---|
| **Short term financial borrowings** | | | |
| TL borrowings | 5,00% | 2.265.742 | 2.265.742 |
| | | | **2.265.742** |
| **Short-term portion of long-term borrowings** | | | |
| TL borrowings and interest | 10,78% | 120.297.390 | 120.297.390 |
| USD borrowings | 4,25% | 3.000.000 | 6.402.900 |
| Interest of bonds issued | | | 1.111.597 |
| | | | **127.811.887** |
| **Long term financial borrowings** | | | |
| TL borrowings | 11,04% | 45.000.000 | 45.000.000 |
| USD borrowings | 4,25% | 7.000.000 | 14.940.100 |
| Bonds issued | 7,31% | 50.000.000 | 50.000.000 |
| | | | **109.940.100** |

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

| | TL Borrowings | USD TL Equivalent |
|---|---|---|
| 2016 | 50.000.000 | - |
| | **50.000.000** | **-** |

As of 31 December 2013 of long-term loans denominated in TL currency payment plan is as follows:

| | TL Borrowings | USD TL Equivalent |
|---|---|---|
| 2015 | 95.000.000 | 14.940.100 |
| | **95.000.000** | **14.940.100** |

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

## NOTE 9- TRADE RECEIVABLES AND PAYABLES

The details of trade receivables are as follows as of 31 December 2014 and 31 December 2013:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Trade Receivables:** | | |
| Trade receivables | 15.173.815 | 14.524.765 |
| Trade receivables from related parties (Note 29) | 124.935.047 | 138.097.731 |
| Notes and cheques receivable | 39.081.882 | 53.951.298 |
| Income accruals | 6.184.155 | 3.613.568 |
| Provisions for doubtful receivables | (2.605.945) | (1.921.371) |
| | **182.768.954** | **208.265.991** |

Movement of provision for doubtful receivables as of 31 December 2014 and 31 December 2013 are as follows:

| | 1 January - 31 December 2014 | 1 January - 31 December 2013 |
|---|---|---|
| Opening balance | (1.921.371) | (2.789.315) |
| Provisions made during period | (865.853) | (316.211) |
| Collections | 181.279 | 420.301 |
| Reclassified to assets held for sale | - | 763.854 |
| | **(2.605.945)** | **(1.921.371)** |

The nature and level of risk in trade receivables are given in note 30.

As of 31 December 2014 and 31 December 2013, details of trade payables are as follows:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Trade Payables:** | | |
| Domestic suppliers | 77.805.398 | 69.928.745 |
| Foreign suppliers | 9.052.336 | 7.191.710 |
| | **86.857.734** | **77.120.455** |

## NOTE 10 - OTHER RECEIVABLES AND PAYABLES

As of 31 December 2014 and 31 December 2013, other receivables and payables are as follows:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Other short term other receivables** | | |
| Other receivables | 965.853 | 10.614 |
| | **965.853** | **10.614** |

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Long term other receivables** | | |
| Deposits and guarantees given | 76.207 | 74.970 |
| | **76.207** | **74.970** |

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

## NOTE 10 - OTHER RECEIVABLES AND LIABILITIES (Cont'd)

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Other short term current liabilities** | | |
| Accrual for selling expenses | 2.047.748 | 2.184.018 |
| Taxes and funds payable | 2.267.862 | 2.186.864 |
| Outsource services | 59.374 | 474.834 |
| Others | 171.219 | 90.090 |
| | **4.546.203** | **4.935.806** |

## NOTE 11 - INVENTORIES

As at 31 December 2014 and 31 December 2013 with details of the stock is as follows:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Raw material | 50.931.787 | 46.345.293 |
| Semi finished goods | 2.453.985 | 1.068.748 |
| Finished goods | 127.886.092 | 113.373.680 |
| -Tomato paste and canned products | 108.515.068 | 96.855.068 |
| -Milk and dairy products | 14.588.162 | 12.854.378 |
| -Meat and meat products | - | 1.770.957 |
| -Pasta and bakery products | 4.782.862 | 1.893.277 |
| Other inventory | 1.440.390 | 1.693 |
| Provision for inventory destruction (-) | (1.113.354) | (1.493.769) |
| | **181.598.900** | **159.295.645** |

## NOTE 12-PREPAID EXPENSES AND DEFERRED INCOME

| **Short-term Prepaid Expenses** | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Advances given for the purchase of stock | 168.281 | 215.791 |
| Expenses related to future months | 794.283 | 218.092 |
| | **962.564** | **433.883** |

| **Long-term Prepaid Expenses** | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Advances given for fixed asset purchases | 168.281 | 215.791 |
| Expenses related to future years | 794.283 | 218.092 |
| | **962.564** | **433.883** |

| Short-term Deferred Income | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Income related to future months | 151.816 | 573.656 |
| Sales advances received | 6.788.738 | 1.935.002 |
| | **6.940.554** | **2.508.658** |

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

## NOTE 13 - INVESTMENTS ACCOUNTED BY EQUITY METHOD

As of 31 December 2014 and 31 December 2013, the details of investments accounted by equity pick up method are as follows:

| Joint Venture | Principal Activity | Place of incorporation and operation | Proportion of ownership interest and voting power held by the Group % 31 December 2014 | 31 December 2013 |
|---|---|---|---|---|
| Tedi İçecek Sanayi ve Ticaret A.Ş. | Fruit juice import and sales | İstanbul | 50,0% | - |

| | Tedi İçecek Sanayi ve Ticaret A.Ş. (*) | | Tat Tohumculuk A.Ş. (**) | |
|---|---|---|---|---|
| | **31 December 2014** | **31 December 2013** | **31 December 2014** | **31 December 2013** |
| Total assets | 20.583.529 | - | - | - |
| Total liabilities | (2.270.469) | - | - | - |
| Net assets | 18.313.060 | - | - | - |
| The Group's share in net assets of investment in associates | 9.156.530 | - | - | - |
| | **1 January - 31 December 2014** | **1 January - 31 December 2013** | **1 January - 31 December 2014** | **1 January - 31 December 2013** |
| Revenues | 8.253.362 | - | - | 14.282.651 |
| Net profit | (8.686.940) | - | - | 1.578.490 |
| The Group's share in profit/(loss) of investment in associates | (4.343.470) | - | - | 473.547 |

(*) To acquire 50.000 TL shares of Tedi İçecek Sanayi ve Ticaret A.Ş. ("Tedi A.Ş.") which has 100.000 TL paid capital and wholy owned by Poland based Maspex-Gmw SP. Z.O.O. ("Maspex"), a share purchase agreement is signed between Maspex and the Company for an amount of 50.000 TL. After the approval of Competition Board, share transfer is completed and the value is paid in cash as of 16 January 2014.

Based on the joint venture agreement between Maspex and the Company, the capital of Tedi A.Ş. is increased from 100.000 TL to 27.000.000 TL at the Tedi A.Ş. extraordinary general assembly meeting. The Company paid 50% of the shares increase amounting to 13.450.000 TL on 29 January 2014. After the payment the share of the Company at Tedi A.Ş. increased to 13.500.000 TL.

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

**NOTE 13 - INVESTMENTS ACCOUNTED BY EQUITY METHOD (Cont'd)**

(**) Based on the decision taken at the meeting of Board of Directors on 9 December 2013, the shares in the investment in associate, Tat Tohumculuk A.Ş. (nominal share amount is 390.000 TL) with capital of 1.300.000 TL are sold to a Japan based company, Kagome Co. Ltd. with an amount of 15.000.000 TL. After the transaction, the Company does not have any shares in Tat Tohumculuk A.Ş. anymore. Details of gain on sale of the associate are as follows:

| | **TL** |
|---|---|
| Net book value of the assets disposed | |
| Current Assets | |
| Cash and cash equivalents | 5.484.322 |
| Trade receivables | 10.070.470 |
| Inventories | 5.237.922 |
| Other current assets | 1.873.757 |
| Non current Assets | |
| Property, plant and equipment | 4.611.556 |
| Short Term Liabilities | |
| Trade payables | (2.755.754) |
| Other payables | (410.602) |
| Long Term Liabilities | |
| Other liabilities | (591.262) |
| Deferred tax liabilities | (286.961) |
| The net assets disposed of | 23.233.448 |
| Effective ownership rate | 30% |
| The net assets disposed of | 6.970.034 |
| Sale Price | |
| Cash and cash equivalents received | 15.000.000 |
| Gain on sale of associate | 8.029.966 |

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

## NOTE 14 - PROPERTY, PLANT AND EQUIPMENT

The movements of property, plant and equipment and depreciation as of 31 December 2014 and 31 December 2013 are as follows;

| | 1 January 2014 | Acquisiton of subsidiary | Additions | Disposals | Transfers | Transfer to asset held for sale | Impairment | 31 December 2014 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| Land | 8.325.434 | 13.762.350 | - | ( 1.699.162) | - | - | - | 20.388.622 |
| Land improvements | 1.147.415 | 178.000 | 124.151 | ( 857.235) | 562.874 | - | - | 1.155.205 |
| Buildings | 74.109.709 | 7.598.029 | 112.491 | ( 41.181.866) | 157.943 | - | - | 40.796.306 |
| Machinery and equipment | 387.341.752 | 6.657.099 | 1.213.559 | ( 57.736.209) | 11.904.551 | - | - | 349.380.752 |
| Vehicles | 1.078.573 | - | 75.288 | ( 313.443) | - | - | - | 840.418 |
| Furniture and fixtures | 37.080.533 | 1.637.310 | 1.231.152 | ( 12.222.061) | 148.541 | - | - | 27.875.475 |
| Leasehold improvements | 8.162.878 | 16.282 | 22.660 | - | 246.818 | - | - | 8.448.638 |
| Construction in progress | 1.206.444 | - | 13.389.556 | - | ( 13.020.727) | - | - | 1.575.273 |
| | **518.452.738** | **29.849.070** | **16.168.857** | **(114.009.976)** | **-** | **-** | **-** | **450.460.689** |
| **Accumulated Depreciation** | | | | | | | | |
| Land improvements | 2.434.738 | - | 136.215 | ( 512.726) | - | - | - | 2.058.227 |
| Buildings | 49.149.320 | - | 1.289.176 | ( 24.509.554) | - | - | - | 25.928.942 |
| Machinery and equipment | 317.891.606 | - | 6.685.395 | ( 56.763.191) | - | - | - | 267.813.810 |
| Vehicles | 642.142 | - | 13.719 | ( 483.688) | - | - | - | 172.173 |
| Furniture and fixtures | 31.265.104 | - | 844.760 | ( 16.467.208) | - | - | - | 15.642.656 |
| Leasehold improvements | 8.296.444 | - | 42.059 | - | - | - | - | 8.338.503 |
| | **409.679.354** | **-** | **9.011.324** | **(98.736.367)** | **-** | **-** | **-** | **319.954.311** |
| **Net book value** | **108.773.384** | | | | | | | **130.506.378** |

Depreciation expense amounting to TL 6.488.153 (2013: TL 8.094.959) is recognised in the cost of goods sold, amounting to TL 784.961 (2013: TL 530.188) is recognised in general and administrative expenses, amounting to TL 2.072.604 (2013: TL 2.643.140) is recognised in inventory and the remaining amount is recognised in discontinued operations.

9.010.996 TL of disposal of property, plant and equipment is due to disposal of Maret and has been associated with cash flows from discontinued operations in the cash flow statement.

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

**NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Cont'd)**

| | 1 January 2013 | Acquisiton of subsidiary | Additions | Disposals | Transfers | Transfer to asset held for sale | Impairment | 31 December 2013 |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| Land | 8.325.434 | - | - | - | - | - | - | 8.325.434 |
| Land improvements | 15.175.536 | - | 133.861 | (69.053) | 1.064.862 | (15.157.791) | - | 1.147.415 |
| Buildings | 78.127.115 | - | 887.867 | - | 1.967.400 | (6.872.673) | - | 74.109.709 |
| Machinery and equipment | 399.067.735 | - | 9.518.905 | (13.422.396) | 6.824.698 | (14.647.190) | - | 387.341.752 |
| Vehicles | 6.597.180 | - | 2.269 | (56.531) | - | (5.464.345) | - | 1.078.573 |
| Furniture and fixtures | 48.665.732 | - | 2.504.509 | (169.546) | 83.498 | (13.442.062) | (561.598) | 37.080.533 |
| Leasehold improvements | 8.162.878 | - | - | - | - | - | - | 8.162.878 |
| Construction in progress | 1.204.196 | - | 9.942.706 | - | (9.940.458) | - | - | 1.206.444 |
| | **565.325.806** | **-** | **22.990.117** | **(13.717.526)** | **-** | **(55.584.061)** | **(561.598)** | **518.452.738** |
| **Accumulated Depreciation** | | | | | | | | |
| Land improvements | 11.260.991 | - | 1.865.357 | (65.971) | - | (10.625.639) | - | 2.434.738 |
| Buildings | 47.885.054 | - | 1.932.813 | - | - | (668.547) | - | 49.149.320 |
| Machinery and equipment | 332.962.487 | - | 7.080.270 | (13.064.077) | - | (9.087.074) | - | 317.891.606 |
| Vehicles | 2.308.838 | - | 420.080 | (17.080) | - | (2.069.696) | - | 642.142 |
| Furniture and fixtures | 36.028.030 | - | 2.091.999 | (131.816) | - | (6.501.068) | (222.041) | 31.265.104 |
| Leasehold improvements | 8.296.444 | - | - | - | - | - | - | 8.296.444 |
| | **438.741.844** | **-** | **13.390.519** | **(13.278.944)** | **-** | **(28.952.024)** | **(222.041)** | **409.679.354** |
| **Net book value** | **126.583.962** | | | | | | | **108.773.384** |

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

**NOTE 14 - PROPERTY, PLANT AND EQUIPMENT (Continued)**

The estimated useful lives of tangible assets are as follows:

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

**NOTE 15 - INTANGIBLE ASSETS**

As of 31 December 2014 and 31 December 2013, intangible assets are composed of software licences and the movements in intangible assets and accumulated amortisation as of these years ended are as follows:

| | **1 January 2014** | **Acquisition of subsidiary** | **Additions** | **Disposals** | **31 December 2014** |
|---|---|---|---|---|---|
| Costs | 23.223.959 | 360.621 | 718.443 | (258.393) | 24.044.630 |
| Accumulated Amortization | 22.620.872 | - | 329.537 | (258.393) | 22.692.016 |
| **Net Book Value** | **603.087** | **360.621** | **388.906** | **-** | **1.352.614** |

| | **1 January 2013** | **Acquisition of subsidiary** | **Additions** | **Disposals** | **31 December 2013** |
|---|---|---|---|---|---|
| Costs | 23.078.611 | - | 145.348 | - | 23.223.959 |
| Accumulated Amortization | 22.313.807 | - | 307.065 | - | 22.620.872 |
| **Net book value** | **764.804** | **-** | **161.717** | **-** | **603.087** |

Total of amortization expenses amounted to TL 329.537 are included in general administrative expenses (2013: TL 307.065).

**NOTE 16 - GOVERNMENT INCENTIVES AND GRANTS**

Tat, the parent company has customs exemption related with imported goods, VAT exemption and taxes, duties, charges exceptions related with purchases of investment goods supplied from domestic markets.

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

## NOTE 17 - COMMITMENTS AND CONTINGENT ASSETS AND LIABILITIES

As of 31 December 2014 and 31 December 2013, the details of the provisions are as follows:

**a) Provisions**

| | **31 December 2014** | **31 December 2013** |
|---|---|---|
| Provisions for lawsuits | 1.683.014 | 55.000 |
| Sales return allowances | 207.774 | - |
| Other Provisions | 6.595.936 | - |
| | **8.486.724** | **55.000** |

Provision for lawsuits December 31, 2014 and the year ended December 31, 2013 within the movement are as follows:

| | **1 January - 31 December 2014** | **1 January - 31 December 2013** |
|---|---|---|
| Opening balance | 55.000 | 172.100 |
| Additions during the period | 8.431.724 | - |
| Classified assests as held for sale | - | (117.100) |
| | **8.486.724** | **55.000** |

## NOTE 18 - COMMITMENTS AND CONTINGENCIES

The Group has miscellaneous guarantee letters given to tax authorities (related to VAT return receivables), agriculture enterprises and customs which are amounting to 60.696.351 TL (31 December 2013: 58.657.393 TL guarantee letters given).

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

| | **31 December 2014** | **31 December 2013** |
|---|---|---|
| A. On the behalf of legal entity | 60.696.351 | 58.657.393 |
| B. On the behalf of associations that included in full consolidation | - | - |
| C. On the behalf of third parties’ liabilities within the context of business operations | | |
| -Given on the behalf of parent company | - | - |
| -Given on the behalf of other group companies which are not included in B and C clauses | - | - |
| -Given on the behalf of third parties which are not included in C clause | - | - |
| D. Other | - | - |
| | **60.696.351** | **58.657.393** |

Total guarantees given by the Group are in TL currency and neither any pledges nor encumbrances are given by the Group. Ratio of commitments and contingencies given by the Group to the Shareholders Equity on 31 December 2014 is 0% (31 December 2013:  0%).

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

## NOTE 19– EMPLOYEE BENEFITS

### Short term employee benefits

| **Employee Benefit Payables** | **31 December 2014** | **31 December 2013** |
|---|---|---|
| Due to personnel | 2.809.215 | 604.725 |
| Social security withholdings payable | 1.033.722 | 996.601 |
| | **3.842.937** | **1.601.326** |

| | **31 December 2014** | **31 December 2013** |
|---|---|---|
| **Short-term provisions for employment benefits** | | |
| Provision for unused vacation | 900.000 | 800.000 |
| Staff bonus accruals | 900.000 | 2.036.230 |
| | **1.800.000** | **2.836.230** |

### Long-term Employee Benefits

**Severance pay liability:**

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

The amount payable consists of one month’s salary limited to a maximum of 3.438,22 TL for each period of service at 31 December 2014 (31 December 2013: 3.254,44 TL)

Employment termination benefit liabilities are not subject to any funding and there are no legal requirements for funding of these liabilities. The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Accordingly, the following actuarial assumptions are used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase parallel with the inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2014, the provision is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates are calculated assuming an annual inflation rate of 4,95% and a discount rate of 8,6%, resulting in a real discount rate of approximately 3,50% (31 December 2013: 4,78%).

As the maximum liability is revised semi annually, the maximum amount of 3.541,37 TL effective from 1 January 2015 is taken into consideration in the calculation of provision from employment termination benefits.

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

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

**NOTE 19 - EMPLOYEE BENEFITS (Continued)**

Below is the movement of employment termination provision as of 31 December 2014 and 31 December 2013:

| | **31 December 2014** | **31 December 2013** |
|---|---|---|
| Opening balance | 10.550.732 | 10.583.314 |
| Service cost | 4.463.894 | 3.127.587 |
| Interest cost | 504.325 | 394.384 |
| Paid in the period | (2.700.538) | (2.508.511) |
| Actuarial gains / (losses) | 980.751 | (667.419) |
| Reclassified to assets held for sale | (2.965.417) | (378.623) |
| | **10.833.747** | **10.550.732** |

## NOTE 20 - OTHER ASSETS AND LIABILITIES

As of 31 December 2014 and 31 December 2013, other current / non-current assets and short / long-term liabilities are as follows:

| | **31 December 2014** | **31 December 2013** |
|---|---|---|
| **Other Current Assets** | | |
| Deferred VAT | 25.268.704 | 12.635.893 |
| Deductible VAT | 6.152.170 | 5.548.247 |
| Other VAT | 2.850.505 | 458.866 |
| Other | 120.494 | 330.890 |
| | **34.391.873** | **18.973.896** |

| | **31 December 2014** | **31 December 2013** |
|---|---|---|
| Deferred VAT | 14.905.598 | 12.791.221 |
| | **14.905.598** | **12.791.221** |

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

## NOTE 21 - SHAREHOLDERS 'EQUITY

### a) Share Capital

As of 31 December 2014 and 31 December 2013, the shareholders and paid-in capital with the historical values are as follows

| | % | 31 December 2014 | % | 31 December 2013 |
|---|---|---|---|---|
| Koç Holding A.Ş. | 43,7 | 59.364.947 | 43,7 | 59.364.947 |
| Shares publicly open in stock exchange | 31,4 | 42.676.800 | 31,4 | 42.676.800 |
| Kagome Co. Ltd. | 3,7 | 5.071.168 | 3,7 | 5.071.168 |
| Temel Ticaret ve Yatırım A.Ş. | 3,3 | 4.427.889 | 3,3 | 4.427.889 |
| Sumitomo Corporation | 1,5 | 2.077.983 | 1,5 | 2.077.983 |
| Other | 16,4 | 22.381.213 | 16,4 | 22.381.213 |
| **Total Share Capital** | **100** | **136.000.000** | **100** | **136.000.000** |
| Inflation adjustment to share capital | | 21.601.088 | | 21.601.088 |
| Adjusted share capital | | **157.601.088** | | **157.601.088** |

The Company's share capital of year 2014 consists of 13.600.000.000 number of shares and there is no preferred stock (2013: 13.600.000.000 number of shares).

### b) Revaluation Fund

Financial Assets Revaluation Fund:

Revaluation fund financial assets is resulted from fair value differences of available-for-sale financial assets. In case of disposal of a financial assets, which is presented with its fair value, revaluation fund related with disposed financial asset is recorded as income or loss under the profit and loss statement. When there is an impairment on a financial asset, revaluation fund related with impaired financial asset is recorded under profit and loss statement.

### c) Restricted Reserves

Restricted reserves consist of legal reserves.

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

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

- If the difference is arising due to the inflation adjustment of "Paid-in Capital" and not yet been transferred to capital should be classified under the "Inflation Adjustment to Share Capital";
- If the difference is due to the inflation adjustment of "Restricted Reserves" and "Share Premium" and the amount has not been utilised in dividend distribution or capital increase yet, it shall be classified under "Retained Earnings".

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

**NOTE 21 - EQUITY (Continued)**

Other equity items shall be carried at the amounts valued in accordance with CMB Financial Reporting Standards.

Capital restatement differences can only be included in capital.

The Group’s extraordinary reserve reclassed to accumulated profit is 83.269.023 TL as of 31 December 2014 (31 December 2013: 69.591.644 TL)

Profit Distribution:

In accordance with the Capital Markets Board’s (the “Board”), minimum profit distribution is not required for listed companies, and accordingly, profit distribution should be made based on the requirements set out in the Board’s Communiqué Serial:IV, No: 27 “Principles of Dividend Advance Distribution of Companies That Are Subject To The Capital Markets Board Regulations”, terms of articles of corporations and profit distribution policies publicly disclosed by the companies

Non-Controlling Interests

The Group does not have any non-controlling interests (31 December 2013: The Group's non-controlling interests from Harranova and loss relating to non-controlling interests for the year is 12,788,060 TL as at the balance sheet date).

| | **31 December 2014** | **31 December 2013** |
|---|---|---|
| Opening balance | 20.091.204 | 32.879.264 |
| Net loss of non-controlling interests | (20.091.204) | (12.788.060) |
| | **-** | **20.091.204** |

**NOTE 22 - SALES AND COST OF SALES**

As of 31 December 2014 and 31 December 2013, details of revenue and sales cost are as follows:

| | **1 January- 31 December 2014** | **1 January- 31 December 2013** |
|---|---|---|
| Domestic sales | 826.890.105 | 731.581.396 |
| Foreign sales | 83.103.627 | 45.994.530 |
| Rebates and sales discounts | (92.955.559) | (81.502.767) |
| **Total operating revenue** | **817.038.173** | **696.073.159** |
| Raw material costs | (573.824.550) | (471.424.585) |
| Labor costs | (21.640.917) | (17.082.257) |
| General production overheads | (59.893.148) | (55.009.883) |
| Depreciation cost | (8.226.363) | (7.300.493) |
| Change in inventory | 18.777.073 | 12.888.982 |
| **Cost of sales** | **(644.807.905)** | **(537.928.236)** |
| **Gross profit** | **172.230.268** | **158.144.923** |

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

## NOTE 23 - EXPENSES BY NATURE

31 December 2014 and 31 December 2013 details of sales cost and operating expenses are as follows:

| | **1 January-31 December 2014** | **1 January-31 December 2013** |
|---|---|---|
| **Marketing, Selling and Distribution Expenses** | | |
| Sales incentive and gondola participation expenses | (33.592.767) | (29.625.274) |
| Transportation and insurance expenses | (31.355.414) | (29.917.325) |
| Advertisement expenses | (9.979.412) | (13.660.178) |
| Sales support expenses | (8.794.447) | (5.668.285) |
| Other sales expenses | (6.281.352) | (5.849.916) |
| Personnel expenses | (5.280.427) | (4.584.355) |
| Sales promotion and commission expenses | (922.819) | (1.214.486) |
| Other | (1.111.782) | (1.103.517) |
| | **(97.318.420)** | **(91.623.336)** |

For the years ended 31 December 2014 and 31 December 2013, the details of operating expenses are as follows:

| | **1 January-31 December 2014** | **1 January-31 December 2013** |
|---|---|---|
| **General and administrative expenses** | | |
| Personnel expenses | (17.074.384) | (13.881.365) |
| Employee termination benefits | (4.968.219) | (2.977.971) |
| Consultancy and lawsuit expenses | (3.296.795) | (3.164.113) |
| Transportation, travel expenses | (1.559.422) | (1.120.727) |
| Depreciation and amortization expenses | (1.114.498) | (764.253) |
| Repair and maintenance expense | (1.107.230) | (1.409.650) |
| IT expenses | (1.100.532) | (870.780) |
| Taxes and duties expenses | (409.030) | (1.250.791) |
| Other | (2.649.485) | (2.172.748) |
| | **(33.279.595)** | **(27.612.398)** |

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

## NOTE 24 - OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

31 December 2014 and 31 December 2013 details of other income and profits are as follows:

| | 1 January-<br>31 December<br>2014 | 1 January-<br>31 December<br>2013 |
|---|---|---|
| **Other Operating Revenue** | | |
| Exchange differences from operations | 2.176.256 | 2.347.861 |
| Income from maturity differences | 17.921.369 | 5.955.720 |
| Dividend income | - | 2.297.396 |
| Provisions released | 134.285 | 189.844 |
| Other | 1.775.596 | 1.333.313 |
| | **22.007.506** | **12.124.134** |

31 December 2014 and 31 December 2013, details of other expenses are as follows:

| | 1 January-<br>31 December<br>2014 | 1 January-<br>31 December<br>2013 |
|---|---|---|
| **Other Operating Expense** | | |
| Exchange differences from operations | (1.708.447) | (2.031.138) |
| Expense from maturity differences | (5.093.118) | (2.091.879) |
| Scrap expenses | (1.113.354) | (1.493.769) |
| Other | (4.835.113) | (18.941) |
| | **(12.750.032)** | **(5.635.727)** |

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

## NOTE 25 - INCOME AND EXPENSES FROM INVESTING ACTIVITIES

As of 31 December 2014 and 31 December 2013, investment income and profits from operations is as follows:

| **Income from Investing Activities** | **1 January- 31 December 2014** | **1 January- 31 December 2013** |
|---|---|---|
| Sale income from property, plant and equipment | 1.794.393 | 1.847.561 |
| Bargain purchase gain (note 3) | 9.324.023 | - |
| Gain on sales of associate (note 13) | - | 8.029.966 |
| | **11.118.416** | **9.877.527** |

| **Expenses from Investing Activities** | **1 January- 31 December 2014** | **1 January- 31 December 2013** |
|---|---|---|
| Loss on sale of property, plant and equipment | (666.535) | (129.202) |
| Provision for impairment of property, plant and equipment | - | (339.557) |
| | **(666.535)** | **(468.759)** |

## NOTE 26 - FINANCIAL EXPENSES

As of 31 December 2014 and 31 December 2013, financial expenses are as follows:

| | **1 January- 31 December 2014** | **1 January- 31 December 2013** |
|---|---|---|
| Interest expense on bank loans | (21.543.612) | (22.905.949) |
| | **(21.543.612)** | **(22.905.949)** |

## NOTE 27 - ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

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

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

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

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

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

**NOTE 27 - ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (cont'd)**

| | 1 January- 31 December 2014 | 1 January- 31 December 2013 |
|---|---|---|
| Revenue | 77.404.345 | 143.244.080 |
| Cost of sales | (82.301.325) | (136.593.259) |
| **Gross profit** | **(4.896.980)** | **6.650.821** |
| Operating expenses | - | (18.763.830) |
| **Profit before tax from discontinued operations** | (13.761.858) | (17.240.555) |
| Deferred tax effects | **(18.658.838)** | **(29.353.564)** |
| **Profit from discontinued operations** | (4.297.041) | (7.650.651) |
| | **(22.955.879)** | **(37.004.215)** |
| Income from the sale of non current assets held for sales (*) | 170.615.686 | - |
| Minus: Net asset value of non current assets held for sale as at disposal date (Attributable to the Group) (**) | 25.135.064 | - |
| **Gain on sales of non current assets held for sale (Attributable to the Group)** | **145.480.622** | - |
| **Net profit/(loss) after tax from discontinued operations** | **122.524.743** | **(37.004.215)** |

(*) Income from salesSatış bedelinin 160.844.999 TL of income is from the sale of Maret and 9.770.687 TL is from Harranova.
(**) 9.010.996 TL of net asset value is from Maret and 16.124.068 TL is from Harranova Besi.

**NOTE 28 – TAX ASSESTS AND LIABILITIES**

| | 1 January- 31 December 2014 | 1 January- 31 December 2013 |
|---|---|---|
| Current tax expense | (8.303.094) | (4.176.285) |
| Deferred tax expense | 598.373 | (1.466.844) |
| Total tax expense | **(7.704.721)** | **(5.643.129)** |

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Current tax provision (*) | 11.187.889 | 4.176.285 |
| Prepaid taxes and funds (-) | (16.828.136) | (2.859.178) |
| | **(5.640.247)** | **1.317.107** |

(*) Cari kurumlar vergisi karşılığının 2.353.333 TL of corporate tax provision is related to discontinued operations and presented under "Profit/(loss) after tax from dicsontinued operations" in the income statement (31 December 2013: None).

**NOTE 28 - TAX ASSETS AND LIABILITIES (Cont'd)**

Corporate Tax

The Group is subject to corporate tax applicable in Turkey. Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis.

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

The effective tax rate in 2014 is 20% (2013: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate is 20% in 2014 (2013: 20%). Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. However, losses occurred cannot be deducted from the profit occurred in the prior years retroactively.

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

Income withholding tax:

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

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

Investment Incentives

According to the regulation, published in the 27659 numbered Official Gazette on 1 August 2010, based on Law No. 6009 through article 5, the phrase "only 2006, 2007 and 2008 regarding years" on temporary article 69 of Income Tax Law No.193 that was abolished by The Constitutional Court decision numbered 2009/144 published in the Official Gazette on January 8, is rearranged. With regard to rearrangement, nondeductible investment allowance due to insufficient income and deferred investment allowance amounts can be used without a year limitation. Investment allowance amount, which will be used in the determination of the tax assessment, will not exceed 25% profit of the concerned period. In addition to this, %20 corporate tax rate will be applied on the income after the deduction of the allowance.

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

**NOTE 28 - TAX ASSETS AND LIABILITIES (Cont'd)**

Deferred Tax

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

For calculation of deferred tax asset and liabilities, the rate of 20% (2013: 20%) is used.

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

The composition of cumulative temporary differences and the related deferred tax assets and liabilities in respect of items for which deferred tax has been provided at 31 December 2014 and 2013 using the enacted tax rates is as follows:

| Deferred tax assets / liabilities | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Carry forward tax losses | 24.195.000 | - |
| Severance pay liability | 2.166.749 | 2.110.146 |
| Difference between tax base and carry value of property, plant and equipment | (2.116.458) | 216.511 |
| Difference between tax base and carrying value of inventories | 279.296 | 131.801 |
| Doubtful receivables Provisions | 57.203 | 84.060 |
| Provision for unused vacation | 180.000 | 160.000 |
| Scrap provision | 218.903 | - |
| Sales expense accruals | 409.546 | - |
| Staff bonus accrual | 180.000 | - |
| Provision for lawsuits | 178.483 | 11.000 |
| Other | 24.267 | 13.656 |
| | **25.772.989** | **2.727.174** |
| Deferred tax provision for carry forward tax losses expected as not to be recovered | (22.722.880) | - |
| | **3.050.109** | **2.727.174** |

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

**NOTE 28 - TAX ASSETS AND LIABILITIES (Cont'd)**

Deferred tax (cont'd)

Carryforward tax losses in the current year are from the acquisition of Moova and expiry date schedule of carryforward tax losses for which provision has been recognised is as follows:

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| 2014 | - | 881.353 |
| 2015 | 275.000 | - |
| 2016 | 14.700.000 | 15.127.183 |
| 2017 | 39.235.321 | 11.252.128 |
| 2018 | 41.662.273 | - |
| 2019 | 17.741.806 | - |
| | **113.614.400** | **27.260.664** |

Movement of the deferred tax for the years ended 31 December 2014 and 31 December 2013 is as follows:

| Deferred tax movements | 1 January 31 December 2014 | 1 January 31 December 2013 |
|---|---|---|
| Opening balance as of January 1 | 2.727.174 | 11.711.185 |
| Recognised directly in equity | 196.150 | 133.484 |
| Deferred tax income / (expense) | 598.373 | (1.466.844) |
| Acquisition of subsidiary | 1.472.120 | - |
| Deferred tax expense from discontinued operations | (1.943.708) | (7.650.651) |
| | **3.050.109** | **2.727.174** |

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

| **The reconciliation of tax:** | 1 January 31 December 2014 | 1 January 31 December 2013 |
|---|---|---|
| Profit for the period from continuing operations | 35.442.097 | 32.353.353 |
| Net loss from discontinued operations (note 27) | 126.821.784 | (29.353.564) |
| | 20% | 20% |
| Income tax rate 20% (2013: 20%) | (32.452.776) | (599.958) |
| Tax effect of: | | |
| Non deductible expenses | (1.787.584) | (830.042) |
| Tax - exempt income | 22.539.678 | 2.643.708 |
| Effect of deferred tax assets and carry forward losses for which provision had been recognised in the previous periods | - | (14.507.488) |
| Additional corporate tax charge for prior period | (301.080) | - |
| Tax expense in the income statement | **(12.001.762)** | **(13.293.780)** |
| - Tax expense from continuing operations | (7.704.721) | (5.643.129) |
| - Tax expense from discontinued operations | (4.297.041) | (7.650.651) |

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

## NOTE 29 - RELATED PARTY TRANSACTIONS

i) As of 31 December 2014 and 31 December 2013, the details of receivables and payables from related parties are as follows:

**a) Bank deposits:**

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Yapı ve Kredi Bankası A.Ş. | 94.317.636 | 1.491.387 |
| | **94.317.636** | **1.491.387** |

**b) Financial borrowings**

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Yapı ve Kredi Bankası A.Ş. | 747.612 | 15.092.686 |
| | **747.612** | **15.092.686** |

**c) Receivables from Related Parties**

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Düzey Tüketim Malları Sanayi Pazarlama ve Ticaret A.Ş. | 123.910.142 | 134.677.185 |
| Sumitomo Corporation | 655.143 | 2.985.115 |
| Tedi İçecek Sanayi ve Ticaret A.Ş. | 177.581 | - |
| Arçelik A.Ş. | 160.001 | - |
| Divan Turizm İşletmeleri A.Ş. | 6.711 | 191.651 |
| Türkiye Petrol Rafineleri A.Ş. | - | 184.980 |
| Other | 25.469 | 58.800 |
| | **124.935.047** | **138.097.731** |

**d) Trade payables to related parties**

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Zer Merkezi Hizmetler ve Ticaret A.Ş. | 6.864.440 | 5.544.915 |
| Tat Tohumculuk A.Ş. | | |
| Eltek Elektrik Enerji. İth.İhr.Top.Tic. A.Ş. | 662.010 | 738.529 |
| Otokoç Otomotiv Tic.ve San.A.Ş. | 515.552 | 258.953 |
| Temel Ticaret ve Yatırım A.Ş | 400.017 | 197.402 |
| Koç Sistem A.Ş. | 281.337 | 239.405 |
| Setur Servis Turistik A.Ş | 173.890 | 21.437 |
| Opet Petrolcülük A.Ş. | 39.548 | 51.598 |
| Ram Sigorta Aracılık Hizmetleri A.Ş. (*) | 18.609 | 23.319 |
| Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. | - | 1.536 |
| Other | 96.933 | 114.616 |
| | **9.052.336** | **7.191.710** |

(*) This amount represents accrued and paid premium amount as of 31 December 2013, which has been resulted from insurance policies signed with third party insurance companies with the intermediary of Ram Sigorta Aracılık Hizmetleri A.Ş.

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

**NOTE 29 - RELATED PARTY TRANSACTIONS (Cont'd)**

i) As of 31 December 2014 and 31 December 2013, the details of receivables and payables from related parties are as follows (cont'd):

**e) Other payables to related parties**

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| Koç Holding A.Ş. | 2.015.370 | 394.980 |
| | **2.015.370** | **394.980** |

**ii) For the years ended 31 December 2014 and 2013, the details of significant sales to related parties and purchases from related parties are as follows:**

**a) Sales to related parties:**

| | 1 January-31 December 2014 | 1 January-31 December 2013 |
|---|---|---|
| Düzey Tüketim Malları Sanayi Pazarlama ve Ticaret A.Ş. (*) | 733.094.199 | 674.855.529 |
| Sumitomo Corporation | 14.187.380 | 21.049.290 |
| Türkiye Petrol Rafineleri A.Ş. | 1.186.605 | 1.891.222 |
| Divan Turizm İşletmeleri A.Ş. | 233.052 | 455.157 |
| Other | 10.324 | 128.766 |
| | **748.711.560** | **698.379.964** |

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

**b) Purchases from related parties:**

| | 1 January-31 December 2014 | 1 January-31 December 2013 |
|---|---|---|
| Zer Merkezi Hizmetler ve Ticaret A.Ş. | 8.490.342 | 9.327.739 |
| Koçtaş Yapı Marketleri Ticaret A.Ş. | 55.883 | 24.861 |
| Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. | - | 17.693 |
| Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş. | 11.587 | 15.404 |
| Aygaz A.Ş. | - | 69.247 |
| **Discontinued operations** | | |
| Akpa Dayanıklı Tüketim LPG ve Akaryakıt Ürünleri Pazarlama A.Ş. | - | 2.331.795 |
| Aygaz A.Ş. | - | 39.270 |
| Türk Traktör ve Ziraat Makinaları A.Ş. | - | 15.254 |
| Otokoç Otomotiv Tic. Ve San. A.Ş. | - | 81.709 |
| Opet Petrolcülük A.Ş. | - | 266.761 |
| Opet Fuchs Madeni Yağ Sanayi ve Ticaret A.Ş. | - | 39.595 |
| | **8.557.812** | **12.229.328** |

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

**NOTE 29 - RELATED PARTY TRANSACTIONS (Cont'd)**

**c) Service purchases from related parties:**

| | **1 January- 31 December 2014** | **1 January- 31 December 2013** |
|---|---|---|
| Zer Merkezi Hizmetler ve Ticaret A.Ş. | 17.427.936 | 17.671.081 |
| Aygaz A.Ş. | 11.977.567 | 69.247 |
| Koç Holding A.Ş. | 2.688.047 | 1.392.208 |
| Eltek Elektrik Enerji. İth.İhr.Top.Tic. A.Ş. | 7.721.101 | - |
| Koç Sistem A.Ş. | 1.324.532 | 1.069.280 |
| Ram Sigorta Aracılık Hizmetleri A.Ş. (*) | 883.107 | 366.024 |
| Opet Petrolcülük A.Ş. | 790.878 | 832.459 |
| Temel Ticaret ve Yatırım A.Ş. | 773.231 | 1.077.749 |
| Setur Servis Turistik A.Ş. | 553.787 | 489.039 |
| Otokoç Otomotiv Tic. ve San. A.Ş. | - | 986.717 |
| Other | 361.964 | 445.548 |
| **Discontinued operations** | | |
| Zer Merkezi Hizmetler ve Ticaret A.Ş. | - | 160.504 |
| Koç Sistem A.Ş. | - | 22.854 |
| Ram Sigorta Aracılık Hizmetleri A.Ş. (*) | - | 258.743 |
| Setur Servis Turistik A.Ş. | - | 46.556 |
| Koç Holding A.Ş. | - | 115.327 |
| | **44.502.150** | **25.003.336** |

*Amount represents accrued premium amount as of 31 December 2014, which has been resulted from insurance policies signed with third party insurance companies with the intermediary of Ram Sigorta Aracılık Hizmetleri A.Ş.

**iii) For the years ended 31 December 2014 and 2013, the details of financial expenses to related parties are as follows:**

**a) Interest expense:**

| | **1 January- 31 December 2014** | **1 January- 31 December 2013** |
|---|---|---|
| Yapı ve Kredi Bankası A.Ş. | 923.000 | 4.208.942 |
| | **923.000** | **4.208.942** |

iv) **For the years ended 31 December 2014 and 2013, the details of other income and expenses from/ to related parties are as follows:**

**a) Rent expense:**

| | **1 January- 31 December 2014** | **1 January- 31 December 2013** |
|---|---|---|
| Temel Ticaret ve Yatırım A.Ş. | 548.294 | 462.495 |
| | **548.294** | **462.495** |

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

**NOTE 29 - RELATED PARTY TRANSACTIONS (Continued)**

**iv) For the years ended 31 December 2014 and 2013, the details of other income and expenses from/ to related parties are as follows:**

**b) Payments to key management:**

| | 1 January-<br>31 December<br>2014 | 1 January-<br>31 December<br>2013 |
|---|---|---|
| Salaries and other short-term benefits | 7.894.512 | 5.255.582 |

**NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

**a) Capital risk management**

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 9, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

The Company’s objectives when managing capital are to safeguard the Company’s ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or rearrange capital structure, the Company can return back capital to shareholders, issue new shares and sale assets in order to decrease debt requirement.

The Group controls its capital using the net debt/total capital ratio. This ratio is the calculated as net debt divided by the total capital amount. Net debt is calculated as total liability amount (comprises of financial liabilities, leasing, trade payables and payables to related parties as presented in the balance sheet) less cash and cash equivalents. Total capital is calculated as shareholders’ equity plus the net debt amount as presented in the balance sheet.
As at 31 December 2014 and 31 December 2013 the debt to equity ratio is as follows:

| | 31 December<br>2014 | 31 December<br>2013 |
|---|---|---|
| Total Liabilities | 188.680.069 | 240.017.729 |
| Negative: Cash and Cash Equivalents (Note 6) | (95.098.784) | (10.330.825) |
| Net Debt | 93.581.285 | 229.686.904 |
| Total Equity | 349.962.604 | 221.813.790 |
| Net Liability/Equity | 0,2674 | 1,0355 |

**NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)**

**b) Financial Risk Factors**

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

Risk management is implemented by finance department according to the policies approved by Board of Directors. The Group's finance department provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risks. The written procedures are formed by Board of Directors to manage the foreign currency risk, interest risk, credit risk, use of derivative and non-derivative financial instruments and the assessment of excess liquidity.

There are not any changes in financial risk factors and credit risk management of the Group as compared to previous year.

*b.1) Credit risk management*

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group manages this risk by the credit limits up to the guarantees received from customers. The usage of credit limits are monitored by the Group according to the customer's credibility is evaluated continuously.

Trade receivables consist of many customers that operate in various industries and locations. Credit risk of the receivables from counterparties are evaluated perpetually.

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

**NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)**

**b) Financial risk factors (cont'd)**

**b.1) Credit risk management (cont'd)**

| | Receivables | | | | | | |
|---|---|---|---|---|---|---|---|
| | Trade Receivables | | Other Receivables | | | | |
| 31 December 2014 | Related Party | Third Party | Related Party | Third Party | Deposits in Banks | Derivative Instruments | Other |
| Maximum net credit risk as of balance sheet date | 124.935.047 | 57.833.907 | - | 965.853 | 95.098.674 | - | - |
| -The part of maximum risk under guarantee with collateral etc. | - | 8.950.237 | - | - | - | - | - |
| A. Net book value of financial assets that are neither past due nor impaired | 124.935.047 | 55.381.427 | - | 965.853 | - | - | - |
| B. Carrying value of financial assets that are past due but not impaired | 8.762.743 | 2.452.480 | - | - | - | - | - |
| C. Net book value of impaired assets | | | | | | | |
| -Past due (gross carrying amount) | - | 2.605.945 | - | - | - | - | - |
| - Impairment (-) | - | (2.605.945) | - | - | - | - | - |
| - The part of net value under guarantee with collateral etc | - | - | - | - | - | - | - |
| -Not past due (gross carrying amount) | - | - | - | - | - | - | - |
| - The part of net value under guarantee with collateral etc. | - | - | - | - | - | - | - |
| D.Off-balances sheet items with credit risk | - | - | - | - | - | - | - |

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

**NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)**

**b) Financial risk factors (cont'd)**

**b.1) Credit risk management (cont'd)**

| | Receivables | | | | | | |
|---|---|---|---|---|---|---|---|
| | Trade Receivables | | Other Receivables | | | | |
| **31 December 2013** | Related Party | Third Party | Related Party | Third Party | Deposits in Banks | Derivative Instruments | Other |
| Maximum net credit risk as of balance sheet date | 138.097.731 | 70.168.260 | - | 10.614 | 10.328.419 | - | - |
| -The part of maximum risk under guarantee with collateral etc. | - | 12.421.401 | - | - | - | - | - |
| A. Net book value of financial assets that are neither past due nor impaired | 138.097.731 | 67.913.114 | - | 10.614 | - | - | - |
| B. Carrying value of financial assets that are past due but not impaired | - | 2.255.146 | - | - | - | - | - |
| C. Net book value of impaired assets | | | | | | - | - |
| -Past due (gross carrying amount) | - | 1.921.371 | - | - | - | - | - |
| - Impairment (-) | - | (1.921.371) | - | - | - | - | - |
| - The part of net value under guarantee with collateral etc | - | - | - | - | - | - | - |
| -Not past due (gross carrying amount) | - | - | - | - | - | - | - |
| - The part of net value under guarantee with collateral etc. | - | - | - | - | - | - | - |
| D.Off-balances sheet items with credit risk | - | - | - | - | - | - | - |

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

**NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)**

**b) Financial risk factors (cont'd)**

**b.1) Credit risk management (cont'd)**

| | Receivables | | | | | |
|---|---|---|---|---|---|---|
| **31 December 2014** | **Trade Receivables** | **Other Receivables** | **Deposits in banks** | **Derivative Instruments** | **Other** | **Total** |
| Past due 1-30 days | 1.866.830 | - | - | - | - | 1.866.830 |
| Past due 1-3 months | 9.199.251 | - | - | - | - | 9.199.251 |
| Past due 3-12 months | 149.142 | - | - | - | - | 149.142 |
| Past due 1-5 years | - | - | - | - | - | - |
| Past due more than 5 years | - | - | - | - | - | - |
| Total past due receivables | 11.215.223 | - | - | - | - | 11.215.223 |
| The part under guarantee with collateral | 1.823.094 | - | - | - | - | 1.823.094 |

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

**NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)**

**b) Financial risk factors (cont'd)**

**b.1) Credit risk management (cont'd)**

| | Receivables | | | | | |
|---|---|---|---|---|---|---|
| **31 December 2013** | **Trade Receivables** | **Other Receivables** | **Deposits in banks** | **Derivative Instruments** | **Other** | **Total** |
| Past due 1-30 days | 1.201.577 | - | - | - | - | 1.201.577 |
| Past due 1-3 months | 396.744 | - | - | - | - | 396.744 |
| Past due 3-12 months | 656.825 | - | - | - | - | 656.825 |
| Past due 1-5 years | - | - | - | - | - | - |
| Past due more than 5 years | - | - | - | - | - | - |
| Total past due receivables | 2.255.146 | - | - | - | - | 2.255.146 |
| The part under guarantee with collateral | 2.255.146 | - | - | - | - | 2.255.146 |

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

**NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)**

**b) Financial risk factors (cont'd)**

**b.1) Credit risk management (cont'd)**

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

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| The part under guarantee wtih collateral | 1.823.094 | 6.883.397 |

**b.2) Liquidity risk management**

Liquidity risk management responsibility mainly belongs to the board of directors. The board of directors has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities. Line of credits that are ready to use the liquidity requirements of the Group are disclosed in note 8.

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

**31 December 2014**

| Contractual Maturity Analysis | Carrying Value | Total Cash Outflow According to the contract (I+II+III+IV) | Less than 3 months (I) | 3-12 months (II) | 1-5 years(III) | More than 5 Years (IV) |
|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | |
| Bank borrowings | 188.680.069 | 202.822.467 | 116.490.318 | 31.504.949 | 54.827.200 | - |
| Trade payables | 77.805.398 | 77.805.398 | 77.805.398 | - | - | - |
| Trade payables to related parties | 9.052.336 | 9.052.336 | 9.052.336 | - | - | - |
| Total liabilities | 275.537.803 | 289.680.201 | 203.348.052 | 31.504.949 | 54.827.200 | - |

**31 December 2013**

| Contractual Maturity Analysis | Carrying Value | Total Cash Outflow According to the contract (I+II+III+IV) | Less than 3 months (I) | 3-12 months (II) | 1-5 years(III) | More than 5 Years (IV) |
|---|---|---|---|---|---|---|
| **Non-derivative financial liabilities** | | | | | | |
| Bank borrowings | 240.017.729 | 246.999.488 | 11.678.834 | 122.903.784 | 112.416.870 | - |
| Trade payables | 69.928.745 | 69.928.745 | 69.928.745 | - | - | - |
| Trade payables to related parties | 7.191.710 | 7.191.710 | 7.191.710 | - | - | - |
| Total liabilities | 317.138.184 | 324.119.943 | 88.799.289 | 122.903.784 | 112.416.870 | - |

**NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)**

**b) Financial risk factors (cont'd)**

**b.3) Market risk management**

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

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

**b.4) Foreign currency risk management**

Transactions in foreign currencies cause foreign currency risk.

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

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

**NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)**

**b) Financial risk factors (cont'd)**

**b.4) Foreign currency risk management (cont'd)**

**31 December 2014**

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

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

**NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)**

**b) Financial risk factors (cont'd)**

**b.4) Foreign currency risk management (cont'd)**

**31 December 2013**

| | **Total TL Equivalent** | **USD TL Equivalent** | **Euro TL Equivalent** | **Other** |
|---|---|---|---|---|
| 1. Trade Receivables | 7.433.038 | 3.286.582 | 142.512 | - |
| 2.a Monetary financial assets | 5.440.986 | 2.520.923 | 20.630 | - |
| 2.b Non-monetary financial assets | - | - | - | - |
| 3. Other | 1.027.443 | 481.396 | - | - |
| 4. CURRENT ASSETS | 13.901.467 | 6.288.901 | 163.142 | - |
| 5. Trade Receivables | - | - | - | - |
| 6.a Monetary Financial Assets | - | - | - | - |
| 6.b Non-Monetary Financial Assets | - | - | - | - |
| 7. Other | - | - | - | - |
| 8. NON-CURRENT ASSETS | - | - | - | - |
| 9. TOTAL ASSETS | 13.901.467 | 6.288.901 | 163.142 | - |
| 10. Trade Payables | (157.094) | (69.726) | (2.819) | - |
| 11. Financial Liabilities | (6.402.900) | (3.000.000) | - | - |
| 12.a Other Monetary Financial Liabilities | - | - | - | - |
| 12.b Other Non-monetary Financial Liabilities | - | - | - | - |
| 13. CURRENT LIABILITIES | (6.559.994) | (3.069.726) | (2.819) | - |
| 14. Trade Payables | - | - | - | - |
| 15. Financial Liabilities | (14.940.100) | (7.000.000) | - | - |
| 16.a Other Monetary Financial Liabilities | - | - | - | - |
| 16.b Other Non-monetary Financial Liabilities | - | - | - | - |
| 17. NON CURRENT LIABILITIES | (14.940.100) | (7.000.000) | - | - |
| 18. TOTAL LIABILITIES | (21.500.094) | (10.069.726) | (2.819) | - |
| 19. Net asset /liability position of off-balance sheet derivatives (19a-19b) | - | - | - | - |
| 19.a Off-balance sheet foreign currency derivative assets | - | - | - | - |
| 19.b Off balance sheet foreign currency derivative liabilities | - | - | - | - |
| 20. Net foreign currency asset/liability position | (7.598.627) | (3.780.825) | 160.323 | - |
| 21. Net foreign currency asset/ liability position of non monetary items (1+2a+6a-10-11-12a-14-15-16a) | (8.626.070) | (4.262.221) | 160.323 | - |
| 22. Fair value of foreign currency hedged financial assets | - | - | - | - |
| 23. Hedged foreign currency assets | - | - | - | - |

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

**NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)**

**b) Financial risk factors (cont'd)**

Currency risk sensitivity

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

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

Currency risk sensitivity

| | **31 December 2014** | |
|---|---|---|
| | Profit/ Loss | |
| | Appreciation of Foreign currency | Devaluation of foreign currency |
| 1 - US Dollar net asset/liability | (1.886.771) | 1.886.771 |
| 2- Part of hedged from US Dollar risk (-) | - | - |
| **3- US Dollar net effect** | (1.886.771) | 1.886.771 |
| In the case of appreciation of EURO Dollar at 10 % ratio compared to TL | | |
| 4 - Euro net asset/liability | 72.842 | (72.842) |
| 5 - Part of hedged from EURO risk (-) | - | - |
| **6- Euro net effect** | 72.842 | (72.842) |
| **TOTAL** | **(1.813.929)** | **1.813.929** |

| | **31 December 2013** | |
|---|---|---|
| | Profit/ Loss | |
| | Appreciation of Foreign currency | Devaluation of foreign currency |
| In the case of appreciation of US Dollar at 10 % ratio compared to TL | | |
| 1 - US Dollar net asset/liability | (806.943) | 806.943 |
| 2- Part of hedged from US Dollar risk (-) | - | - |
| **3- US Dollar net effect** | (806.943) | 806.943 |
| In the case of appreciation of EURO Dollar at 10 % ratio compared to TL | | |
| 4 - Euro net asset/liability | 47.078 | (47.078) |
| 5 - Part of hedged from EURO risk (-) | - | - |
| **6- Euro net effect** | 47.078 | (47.078) |
| **TOTAL** | **(759.865)** | **759.865** |

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

## NOTE 30 - FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES ( Cont'd)

### b) Financial risk factors ( cont'd)

*Foreign currency purchase/sale contracts*

The Group makes forward contracts and currency swaps to cover the risks of receipts and payments, in a certain foreign currency. When expected sale and purchase transactions occur, book values of the items hedged from non-financial risk are adjusted.

Group has no foreign currency purchase/sale contracts in current period. (31 December 2013: None)

Interest rate risk management

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

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

| | 31 December 2014 | 31 December 2013 |
|---|---|---|
| **Fixed interest instruments** | | |
| Financial Liabilities | 188.680.069 | 240.017.729 |

If the interest rates were higher/lower by 1%, the Group's interest expenses before tax would be higher/lower by 162.232 TL (31 December 2013: 213.430 TL) and interest expenses after tax would be higher/lower by 129.858 TL (31 December 2013: 170.774 TL).

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

**NOTE 31 – FINANCIAL INSTRUMENTS**

**Financial Instruments' Classification and Fair Value**

| 31 December 2014 | Financial assets at amortized cost | Loans and receivables (cash and cash equivalents included) | Available for sale financial assets | Finacial assets at fair value through profit or loss | Finacial liabilities at fair value through profit or loss | Carrying Value | Note |
|---|---|---|---|---|---|---|---|
| Financial Assets | | | | | | | |
| Cash and cash equivalents | 95.098.784 | - | - | - | - | 95.098.784 | 6 |
| Trade receivables | - | 57.833.907 | - | - | - | 57.833.907 | 9 |
| Receivables from related parties | - | 124.935.047 | - | - | - | 124.935.047 | 29 |
| Other financial assets | - | - | 3.327.374 | - | - | 3.327.374 | 7 |
| Financial Liabilities | | | | | | | |
| Financial liabilities | - | - | - | 188.680.069 | - | 188.680.069 | 8 |
| Trade payables | - | - | - | 77.805.398 | - | 77.805.398 | 9 |
| Payales to related parties | - | - | - | 9.052.336 | - | 9.052.336 | 29 |

| 31 December 2013 | Financial assets at amortized cost | Loans and receivables (cash and cash equivalents included) | Available for sale financial assets | Finacial assets at fair value through profit or loss | Finacial liabilities at fair value through profit or loss | Carrying Value | Note |
|---|---|---|---|---|---|---|---|
| Financial Assets | | | | | | | |
| Cash and cash equivalents | 10.330.825 | - | - | - | - | 10.330.825 | 6 |
| Trade receivables | - | 70.168.260 | - | - | - | 70.168.260 | 9 |
| Receivables from related parties | - | 138.097.731 | - | - | - | 138.097.731 | 29 |
| Other financial assets | - | - | 4.564.874 | - | - | 4.564.874 | 7 |
| Financial Liabilities | | | | | | | |
| Financial liabilities | - | - | - | 240.017.729 | - | 240.017.729 | 8 |
| Trade payables | - | - | - | 69.928.745 | - | 69.928.745 | 9 |
| Payales to related parties | - | - | - | 7.191.710 | - | 7.191.710 | 29 |

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

**NOTE 31 - FINANCIAL INSTRUMENTS (Continued)**

**Fair Value of Financial Instruments**

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

• First level: Financial assets and liabilities in active markets for identical assets and liabilities are valued at the quoted prices.

• Second level: Financial assets and liabilities and the related assets or liabilities other than quoted prices in first level directly or indirectly observable market prices are used to determine valuation.

• Third level: Financial assets and liabilities, assets or liabilities that are used in determining the fair value observed in the market valuation is based on the data.

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

| | | Level of fair value as of reporting date | | |
|---|---|---|---|---|
| Financial Assets | 31 December 2014 | 1st Level TL | 2nd Level TL | 3rd Level TL |
| Financial Assets at fair value through profit or loss | - | - | - | - |
| Available-for-sale-financial assets | 3.327.374 | - | - | 3.327.374 |
| **Total** | **3.327.374** | **-** | **-** | **3.327.374** |

| | | Level of fair value as of reporting date | | |
|---|---|---|---|---|
| Financial Assets | 31 December 2013 | 1st Level TL | 2nd Level TL | 3rd Level TL |
| Financial Assets at fair value through profit or loss | - | - | - | - |
| Available-for-sale-financial assets | 4.564.874 | - | - | 4.564.874 |
| **Total** | **4.564.874** | **-** | **-** | **4.564.874** |

## NOTE 32 SUBSEQUENT EVENTS

None.