Tümosan Engine and Tractor Industry Inc. and its Subsidiary

The consolidated financial statements as of December 31, 2014 and the independent audit report

INDEPENDENT AUDITOR'S REPORT

To the Board of Management of Tümosan Engine and

Tractor Industry Inc. **Report on Financial Statements**

We have audited the accompanying financial statements of Tümosan Engine and Tractor Industry Inc. (hereinafter the "Company") and its Subsidiary (hereinafter collectively the "Group"), which comprise the consolidated statement of financial position as at December 31, 2014 and the consolidated statements of income and other comprehensive income, consolidated statement of changes in equity and consolidated cash-flow statement for the period then ended, and a summary of significant accounting policies and other explanatory notes.

The Management's Responsibility for the Financial Statements

The Company Management is responsible for the preparation and fair presentation of the financial statements in accordance with the Turkish Accounting Standards and for the internal control which it deems necessary to ensure the preparation of financial statements that are free of material misstatement, whether arising from fraud or from error.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We performed our audit in accordance with the independent auditing standards as endorsed by the Capital Markets Board and Independent Auditing Standards, which is a part of the Turkish Auditing Standards promulgated by the Public Oversight, Accounting and Auditing Standards Authority. These standards require that we comply with ethical requirements and plan and perform the audit in such a manner that it may be ascertained with reasonable assurance whether the financial statements are free from material misstatements.

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

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

Opinion

In our opinion, the financial statements present, in accordance with the Turkish Accounting Standards, a true and fair view of the financial position of Tümosan Engine and Tractor Industry Inc. and its Subsidiary as at December 31, 2014 and of their financial performance and their cash flows for the period then ended.

Report on Other Liabilities Arising from the Legislation

1) The Auditor's Report on the Early Risk Detection System and Committee prepared pursuant to paragraph 4 of Article 398 of the Turkish Commercial Code (Law No. 6102) ("TCC") was presented to the Board of Management of the Company on March 11, 2015.

2) In accordance with paragraph 4 of Article 402 of TCC, no material issue has been encountered as to whether the bookkeeping system of the Company for the period from January 1 to December 31, 2014 and the financial statements do not comply with the provisions of the law and articles of association relating to financial reporting.

3) Pursuant to paragraph 4 of Article 402 of TCC, the Board of Management has made the required disclosures and provided the required documents within the scope of audit.

Güney Independent Audit and Certified Public Accountancy Inc. A member firm
of Ernst & Young Global Limited

Metin Canoğulları, CPA
Responsible Auditor

Istanbul-Turkey,
March 11, 2015

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Consolidated statement of financial position as of December 31, 2014
(Amounts are expressed in Turkish lira (TL) unless otherwise

Assets	Notes	**Current period** **Audited** **December 31, 2014**	Prior period Audit (Revised (Note 2.1)) December 31, 2013
Current assets		**209,110,745**	192,221,008
Cash and cash equivalents	5	**1,229,935**	5,376,059
Financial investments	6	**104,308**	242,251
Trade receivables			
Trade receivables from related parties	28	**67,292**	152,625
Trade receivables from third parties	8	**78,332,124**	54,758,269
Other receivables			
Other receivables from related parties	28	**10,477,580**	131,435
Inventories	9	**88,634,580**	97,497,807
Prepaid expenses	17	**7,664,542**	2,900,204
Other current assets	17	**22,600,384**	31,162,358
Fixed assets		**106,256,284**	106,374,564
Tangible fixed assets, net	10	**92,240,610**	90,827,394
Intangible fixed assets, net	11	**12,353,468**	7,801,456
Investment property	12	**1,640,768**	1,676,276
Other receivables			
Other receivables from related parties	28	**-**	6,055,718
Other fixed assets	17	**21,438**	13,720
Total assets		**315,367,029**	298,595,572

The accompanying accounting policies and notes on pages 9 to 56 are an integral part of these financial statements.

Consolidated statement of financial position as of December 31, 2014
(Amounts are expressed in Turkish lira (TL) unless otherwise

		Current period	Prior period
		Audited	Audit (revised Note 2.1)
Liabilities		**88,854,737**	56,558,359
Short-term liabilities		**85,444,027**	53,423,212
Short-term borrowings	7	**25,656,725**	639,468
Short-term portions of long-term borrowings:	7	**-**	2,906,810
Other financial liabilities	7	**5,098,678**	-
Trade payables			
Trade payables to related parties	28	**172,683**	139,962
Trade payables to third parties	8	**39,881,474**	35,870,152
Liabilities for employee benefits	16	**1,332,697**	1,146,217
Deferred income	17	**5,419,148**	1,556,375
Other payables		**3,000**	105,299
Other payables to third parties		**3,000**	105,299
Tax liability on income for the period	26	**-**	4,319,199
Short-term provisions			
Provisions for employee benefits	15	**579,343**	518,366
Other short-term provisions	13	**5,845,270**	5,847,546
Other short-term liabilities	17	**1,455,009**	373,818
Long-term liabilities		**3,410,710**	3,135,147
Long-term borrowings	7	**-**	41,512
Long-term provisions			
Provisions for employee benefits	15	**2,808,016**	2,039,725
Deferred tax liability	26	**602,694**	1,053,910
Equity		**226,512,292**	242,037,213
Paid-in capital	18	**115,000,000**	115,000,000
Premiums on shares	18	**13,074,563**	13,074,563
Reserves on retained earnings	18	**10,504,898**	3,954,095
Accumulated other comprehensive incomes and expenses not to be reclassified to profit or loss			
Actuarial gains/losses fund from pension plans		***(112,686)***	*227,596*
Tangible fixed assets valuation fund	2.3.1	***39,371,136***	*39,371,136*
Accumulated profits		**25,958,225**	-
Net income for the period		**22,716,156**	62,063,333
Equity of the parent company		**226,512,292**	233,690,723
Non-controlling interests		**-**	8,346,490
Total liabilities and equity		**315,367,029**	298,595,572

The accompanying accounting policies and notes on pages 9 to 56 are an integral part of these financial statements.

Tümosan Engine and Tractor Industry Inc. and its Subsidiary

Consolidated statement of comprehensive income for the year ended December 31, 2014
(Amounts are expressed in Turkish lira (TL) unless otherwise

	Notes	Current period	Prior period
		Audited	Audit (Revised (Note 2.1))
	Notes	**January 1 - December 31, 2014**	January 1 - December 31, 2013
Sales	19	**436,154,297**	445,085,493
Cost of sales (-)	19	**(374,864,858)**	(348,799,097)
Gross profit		**61,289,439**	96,286,396
Research and development expenses (-)	20	**(32,255)**	(1,964,326)
General administrative expenses (-)	20	**(6,028,953)**	(5,156,490)
Marketing, sales and distribution expenses (-)	20	**(21,535,058)**	(16,122,779)
Other real operating income	22	**2,193,387**	3,237,010
Other real operating expenses (-)	22	**(4,592,568)**	(2,806,401)
Real operating profit		**31,293,992**	73,473,410
Income from investing activities, net	25	**637,467**	759,777
Operating profit before financing income/expense		**31,931,459**	74,233,187
Financing income	23	**2,063,226**	7,884,429
Financing expenses (-)	24	**(6,166,690)**	(6,404,474)
Profit before tax from continuing operations		**27,827,995**	75,713,143
Tax expense for the period (-)	26	**(5,477,985)**	(14,924,493)
Deferred tax income	26	**366,146**	198,437
Period net income from continuing operations		**22,716,156**	60,987,087
Other comprehensive income/expenses portion			
Actuarial gains/losses calculated for employee benefits	15	**(425,352)**	(141,774)
Tax effect		**85,070**	28,355
Other comprehensive income/(expense) after tax		**(340,282)**	(113,419)
Total comprehensive income		**22,375,874**	60,873,668
Number of shares	27	**115,000,000**	115,000,000
Earnings per share (TL)	27	**0.1975**	0.5397
Distribution of net income for the period Parent company's shares		**22,716,156**	62,063,333
Non-controlling interests		**-**	(1,076,246)

The accompanying accounting policies and notes on pages 9 to 56 are an integral part of these financial statements.

Consolidated statement of changes in equity for the year ended December 31, 2014

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

					Other accumulated comprehensive income and expenses not to be reclassified to profit or loss						
		Paid-in capital	Share premium	Reserves on retained earnings	Tangible fixed assets valuation fund	Actuarial gains/losses funds from pension plans	Accumulated profits/losses	Net income for the period	Equity of the parent company	Non-controlling interests	Total
January 1, 2014 - previously reported	14	**115,000,000**	**13,074,563**	**3,954,095**	**39,371,136**	**227,596**	**-**	**62,063,333**	**233,690,723**	**-**	**233,690,723**
January 1, 2014 - revised	14	**115,000,000**	**13,074,563**	**3,954,095**	**39,371,136**	**227,596**	**-**	**62,063,333**	**233,690,723**	**8,346,490**	**242,037,213**
Dividend paid		-	-	-	-	-	-	(17,250,000)	(17,250,000)	-	(17,250,000)
Transfers		-	-	6,550,803	-	-	38,262,530	(44,813,333)	-	-	-
Business combinations under common control (*)		-	-	-	-	-	(12,304,305)	-	(12,304,305)	(8,346,490)	(20,650,795)
Net income for the period		-		-	-	-	-	22,716,156	22,716,156	-	22,716,156
Other comprehensive income/(expense)		-	-	-	-	(340,282)	-	-	(340,282)	-	(340,282)
December 31, 2014	14	115,000,000	13,074,563	10,504,898	39,371,136	(112,686)	25,958,225	22,716,156	226,512,292	-	226,512,292
January 1, 2013	14	115,000,000	26,241,624	85,576	39,371,136	341,015	(12,092,063)	29,542,521	198,489,809	9,404,581	207,894,390
Transfers		-	(13,167,061)	3,868,519	-	-	38,841,063	(29,542,521)	-	-	-
Dividend paid		-	-	-	-	-	(26,749,000)	-	(26,749,000)	-	(26,749,000)
Capital increase		-	-	-	-	-	-	-	-	18,155	18,155
Net income for the period		-	-	-	-	-	-	62,063,333	62,063,333	(1,076,246)	60,987,087
Other comprehensive income		-	-	-	-	(113,419)	-	-	(113,419)	-	(113,419)
December 31, 2013	14	115,000,000	13,074,563	3,954,095	39,371,136	227,596	-	62,063,333	233,690,723	8,346,490	242,037,213

(*) The Company purchased10,000,000 shares amounting to 100% in the paid-in capital of Tümosan Foundry Inc., which is owned by the Company's main shareholder, at the rate of TL 20,000,000 (Note 2.1).

Consolidated cash-flow statement for the year ended December 31, 2014

(Amounts are expressed in Turkish lira (TL) unless otherwise

		Current period	Prior period
		Audited	Audited revised (Note 2.1)
	Notes	**January 1 - December 31, 2014**	January 1 - December 31, 2013
Operating activities:			
Profit before tax		**27,827,995**	75,713,143
Adjustments necessary for reconciliation of net cash inflows from operating activities to profit before tax:			
Depreciation, amortisation and depletion	10.11	**9,769,971**	7,072,593
Provision for severance payments	15	**1,222,739**	554,030
Provision for doubtful receivables		**406,372**	247,373
Provision for unused vacation entitlements	15	**60,977**	132,386
Provision for inventories	9	**1,484,233**	791,725
Gains from sale of tangible fixed assets		**-**	(76,332)
Provision for warranties, net	13	**(2,276)**	1,730,381
Provision for lawsuits		**-**	(286,001)
Interest and factoring expenses		**5,828,393**	5,457,623
Interest income		**(2,063,226)**	(6,673,989)
Net cash flow before changes in assets and liabilities for operating activities		**44,535,178**	84,662,932
Changes in assets and liabilities used for operating activities - net:			
Financial investments		**137,943**	(242,251)
Trade and other receivables, net		**(23,980,227)**	(1,766,187)
Trade receivables/payables concerning related parties, net		**(4,172,373)**	168,635
Inventories		**7,378,994**	(29,936,566)
Other current assets		**3,797,636**	(705,982)
Other fixed assets		**27,790**	352,748
Trade payables		**4,011,322**	(20,581,412)
Other liabilities and provisions		**(105,657)**	(4,141,355)
Other long-term liabilities and provisions		**186,480**	1,444,379
Deferred income		**3,862,773**	(4,407,183)
Severance payments paid	15	**(454,448)**	(97,246)
Taxes paid		**(9,797,184)**	(18,443,687)
Net cash from operating activities		**25,428,227**	6,306,825
Investing activities:			
Purchases of tangible and intangible fixed assets		**(15,735,199)**	(24,519,258)
Proceeds from the sale of tangible fixed assets		**-**	76,332
Net cash used in investing activities		**(15,735,199)**	(24,442,926)
Financing activities:			
Bank loans obtained		**41,915,546**	-
Loans and financial payables paid		**(14,747,933)**	(45,602,997)
Interest paid		**(5,828,393)**	(5,371,230)
non-trade payables/receivables concerning related parties, net		**-**	(6,055,718)
Dividend paid		**(17,250,000)**	(26,749,000)
Cash outflows related to acquisition of entities under common control		**(19,991,598)**	-
Interest earned		**2,063,226**	6,673,989
Receivables from related parties		**-**	78,610,594
Net cash from/(used in) financing activities		**(13,839,152)**	1,505,638
Net decrease in cash and cash equivalents		**(4,146,124)**	(16,630,463)
Opening balance of cash and cash equivalents		**5,376,059**	22,006,522
Period-end balance of cash and cash equivalents		**1,229,935**	5,376,059

The accompanying accounting policies and notes on pages 9 to 56 are an integral part of these financial statements.

(Amounts are expressed in Turkish lira (TL) unless otherwise

1. Organization and area of activity of the Company

Tümosan Engine and Tractor Inc. (formerly Alçelik Çelik Yapı Construction Industry and Trade Inc.) (hereinafter "Tümosan" or the "Company") was established in 1975 to produce engine parts, transmission organs and similar equipment, but later on has concentrated its activities in the production of diesel engines and tractors. Tümosan, being Turkey's first diesel-engine manufacturer, has been supplying diesel engines for tractors manufactured under the same brand, as well as other manufacturers of diesel-powered vehicles for many years.

The Company was included in the privatization program on August 18, 1998, and the Company's shares belonging to the Mechanical and Chemical Industry Corporation were transferred to the Privatization Administration and it was decided to complete the privatization process within one year.

Four companies participated in the privatization tender held on April 24, 2000. Anadolu Joint Venture Group ranked first and Konya Selçuklu Joint Venture Group ranked second, according to the results of the tender. As the entrepreneurs determined to be the buyers as per the tender result were not able to sign the sales contract offered to them respectively within the given time period, the tender could not be concluded positively and their tender guarantees were forfeited in connection therewith.

Tümosan, which continued its activities limitedly after the tender, was attached to Sümer Holding on February 7, 2003.

The second tender for its privatization was announced in 2004 and Alçelik Çelik Yapı Construction Industry and Trade Inc. purchased Tümosan by means of an asset sale and the transfer was completed on July 1, 2004.

On December 5, 2012, 26% of the Company's shares were offered to the public at Istanbul Stock Exchange.

The shares of Tümosan Engine and Tractor Industry Inc. are traded on the Istanbul Stock Exchange since 5 December 2012. The Company's headquarters and factory are located at the following addresses:

Head office:

Istanbul World Trade Centre A3 Blok Kat: 8, 34149-Istanbul/Turkey

Factory:

Büyükkayacık Mahallesi Aksaray Çevre Yolu Caddesi No: 7/1,

Selçuklu/Konya/Turkey Information on the Company's shareholders and their shares

is as follows:

	December 31, 2014	December 31, 2013
Ereğli Textile Tourism Industry and Trade Inc.	**67.20%**	67.58%
Muzaffer Albayrak	**1.74%**	5.72%
Ahmet Albayrak (son of Ahmet)	**1.74%**	2.84%
Bayram Albayrak	**1.74%**	2.84%
Nuri Albayrak	**1.74%**	2.84%
Kazım Albayrak	**1.74%**	2.84%
Mustafa Albayrak	**1.74%**	2.84%
Hedef Venture Capital Investment Trust Inc.	**1.30%**	-
Free-float portion	**21.06%**	12.50%
	100%	100%

The Company is controlled by the Albayrak Family although Ereğli Textile Tourism Industry and Trade Inc. is the main shareholder.

As of December 31, 2014, the average number of white-collar workers employed by the Company is 176 (December 31, 2013 - 128) and the number of blue-collar workers is 295 (December 31, 2013 - 318).

2. Basis of presentation of financial statements

2.1 Basis of presentation Basis for

preparing financial statements

The consolidated financial statements of the Group have been prepared, in accordance with the provisions of the Capital Markets Board's "Communiqué on Principles of Financial Reporting in Capital Markets (Serial: II, No: 14.1)" ("Communiqué") promulgated in the Official Gazette edition 28676 on 13 June 2013, on the basis of Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS) and attachements and interpretations thereof published by the Public Oversight, Accounting and Auditing Standards Authority ("POA") in line with international standards. TAS/TFRS are being updated through communiqués in order to ensure compliance with the amendments in International Financial Reporting Standards ("IFRS"). With a decision of 17 March 2005 which would be effective from 1 January 2005, CMB announced that implementation of inflation accounting was not required for publicly listed companies. The financial statements of the Company have been prepared within the frame to this decision.

All items of significant importance in terms of content and amount, even if they are of a similar nature, are presented separately in the financial statements. Insignificant amounts are aggregated with items similar to each other in terms of their bases or functions. The recognition of the transaction or event over net amounts, due to the fact that the transaction or event require offsetting, or the monitoring of assets over the amount less impairment shall not be regarded as a violation of the non-offsetting rule. Revenues earned due to the operations performed by the Company in the normal course of business are recognised on their net values provided that this is consistent with the nature of the transaction or event.

The financial statements have been prepared on the historical cost basis except for financial assets and liabilities, which are stated at fair value.

Business combination under common control

In 2014, the Company purchased10,000,000 shares amounting to 100% in the paid-in capital of TL 10,000,000 of Tümosan Foundry Inc., which is owned by the Company's main shareholder, at the rate of TL 20,000,000. Since i) business combinations under common should be accounted for by the pooling of interest method, ii) goodwill should therefore not be included in financial statements, iii) financial statements should be adjusted when applying the pooling of interes method as if the combination was realised at the beginning of the reporting period in which the common control occurred and they should be presented comparatively from the beginning of the reporting period in which common control occurred, the Company has readjusted its financial statements of December 31, 2013 in this context. Thus, any goodwill or negative goodwill has not been calculated as a result of these transactions and the difference arising from offsetting of the participation amount and the amount of its share in the acquired company's capital is recognised directly under equity as "Effect of combinations involving ventures or entities under common control".

Functional and reporting currency

Turkish lira is the functional and presentation currency of the Company and its subsidiaries. **Going**

concern

The Group has prepared the financial statements on a going concern basis.

(Amounts are expressed in Turkish lira (TL) unless otherwise

2. Basis of presentation of financial statements (continued)

2.1 Basis of presentation (continued)

Approval of consolidated financial

statements

The consolidated financial statements were approved by the Board of Management and authorised for publication on March 11, 2015. The General Meeting has the authority to modify the financial statements. The consolidated financial statements as of December 31, 2014 have been prepared by consolidating the following subsidiary in accordance with the full consolidation method:

	December 31, 2014	December 31, 2013
Company	**Participation rate (%)**	Participation rate (%)
Tümosan Foundry Inc.	**100%**	-

2.2 Amendments in TFRS

New and amended standards and interpretations

The accounting policies adopted in preparation of the consolidated financial statements for the year ended December 31, 2014 are consistent with those of the previous year, except for the new and amended TFRS standards and TFRIC interpretations effective as of January 1, 2014. The effects of these standards and interpretations on the Group's financial position and performance are disclosed in the related paragraphs.

i) The new standards, amendments and interpretations effective from 1 January 2014

TAS 32 Financial Instruments: Presentation - Offsetting of Financial Assets and Liabilities (Amendment)

The amendment clarifies the meaning of the expression "presence of a legal right available on offsetting the amounts accounted for" and clarifies the application area of TAS 32 offsetting principle in accounting systems (such as clearing offices) which are not realized simultaneously and where gross settlement is made. This standard did not have any significant effect on the Group's financial position or performance.

TFRS Interpretation 21 Levies

This interpretation clarifies that an entity should recognize a liability for a levy at the time the action that triggers the payment of the levy takes place in accordance with the relevant legislation. Furthermore, this interpretation clarifies that the levy liability can only be recognized progressively if the obligating event that triggers the payment occurs over a period of time in accordance with the relevant legislation. If an obligation is triggered on reaching a minimum threshold, the levy liability is not recognized as liability unless that minimum threshold is reached. This interpretation does not apply to the Group and has not affected the Group's financial position or performance.

TAS 36 Impairment of Assets - Recoverable amount disclosures for non-financial assets (Amendment)

Certain disclosures about the recoverable amounts of impaired assets under TAS 36 "Impairment of assets" have been amended after the amendment to TFRS 13 "Fair value measurement". The amendment provides additional disclosure requirements for the measurement of the recoverable amount of impaired assets (or an asset group) at fair value less costs to derecognise. This standard did not have any significant effect on the Group's financial position or performance.

2. Basis of presentation of financial statements (continued)

TAS 39 Financial Instruments: Recognition and Measurement - Novation of derivatives and continuation of hedge accounting (Amendment)

The amendment to this standard introduces a narrow exception to the provision that requires the cessation of the hedge accounting in the event that the hedging instrument is transferred to a central counterpart according to law or due to arrangements. This standard did not have any effect on the Group's financial position or performance.

TFRS 10 Consolidated Financial Statements (Amendment)

TFRS 10 has been amended to provide an exception to the waiver of companies that meet the definition of an investment company from the consolidation provisions. With the exception introduced for the consolidation provisions, investment companies are required to account for their subsidiaries at fair value in accordance with the provisions of TFRS 9 Financial Instruments. This amendment has not affected the Group's financial position or performance.

ii) Standards issued but not yet effective and not applied early

The new standards, interpretations and amendments published as of the date of approval of the consolidated financial statements but not yet effective for the current reporting period and not applied early by the Group are as follows. Unless otherwise stated, the Group will make the necessary changes that will affect its financial statements and notes after the entry into force of the new standards and interpretations.

TFRS 9 Financial Instruments - Classification and Disclosure

With the amendment made in December 2012, the new standard will be effective for annual periods beginning on or after January 1, 2015. The first phase of the standard TFRS 9 Financial Instruments introduces new provisions for the measurement and classification of financial assets and liabilities. The amendments made to TFRS 9 will mainly affect the classification and measurement of financial assets and the measurement of financial liabilities that are classified as the ones which are measured by reflecting the fair value difference to profit or loss. These amendments require that the portion relating to credit risk of the fair value changes in this kind of financial liabilities be presented in the statement of other comprehensive income. The Group will assess the impact of the standard on its financial position and performance after the other phases of the standard are adopted by POA.

TAS 19 - Defined Benefit Plans: Employee Contributions (Amendment)

When accounting for defined benefit plans in accordance with TAS 19, contributions from employees or third parties should be taken into account. The amendment clarifies that if the amount of contribution is independent of the number of years of service, the entity should recognize this contribution in the year in which the service is given by deducting it from the cost of the service, rather than when it is paid or payable. The amendment will be applied retrospectively for annual periods beginning on or after 1 July 2014. This amendment will not affect the Group's financial position or performance.

TFRS 11 – Accounting for Acquisitions of Interests in Joint Operations (Amendments)

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

2. Basis of presentation of financial statements (continued)

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

The amendments to TAS 16 and TAS 38 have prohibited the use of revenue-based calculation of depreciation for tangible fixed assets and significantly limited the use of revenue-based calculation of depreciation for intangible assets. The amendments will be applied prospectively for annual periods beginning on or after January 1, 2016. Earlier adoption is permitted. This amendment will not affect the Group's financial position or performance.

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

An amendment to TAS 16 has been made concerning the recognition of "bearer plants". The published amendment states that bearer plants from biological assets, such as grape vines, rubber trees or date palms, bear produce more than one period after maturation and are held by entities during productive life. However, since bearer plants no longer undergo significant biological transformation once they reach their maturity and their functions are similar to production, the amendment reveals that bearer plants should be accounted for under TAS 16 rather than TAS 41 and allows them to be valued either using the "cost model" or "revaluation model". The produce on bearer pants will be accounted for using the fair value model less costs to sell in TAS 41. The amendments will be applied prospectively for annual periods beginning on or after January 1, 2016. Earlier adoption is permitted. The amendment does not apply to the Group and will not affect the [Group]'s financial position or performance.

Annual Improvements to TAS/IFRS

In September 2014, POA issued the following amendments to the standards related to 'Annual Improvements to 2010 -2012 Cycle" and "Annual Improvements to 2011-2013 Cycle". The amendments are effective for annual periods beginning from July 1, 2014.

Annual improvements - ***2010–2012***

Cycle *TFRS 2 Share-based Payment:*

Definitions of vesting conditions were amended and performance condition and service condition were defined in order to resolve the problems. The amendment will be applied prospectively.

TFRS 3 Business Combinations

A contingent consideration that is not classified as equity in a business combination is measured at fair value in subsequent periods and recognised in the income statement, whether or not it is within the scope of TFRS 9 Financial Instruments. The amendment will be applied prospectively for business combinations.

TFRS 8 Operating Segments

The amendments are as follows: i) Operating segments may be combined/aggregated if aggregation is consistent with the core principles of the the standard. ii) Reconciliations of the total assets to the entity's assets shall be disclosed if this reconciliation is reported to the director who is authorized to take decisions related to operating activities. The amendments will be applied retrospectively.

2. Basis of presentation of financial statements (continued)

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

The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed as follows: i) The gross carrying amount of the asset is adjusted to market value; or ii) the market value of the carrying amount of the asset is determined and the gross carrying amount is adjusted proportionately so that the carrying amount equals the market value. The amendment will be applied retrospectively.

TAS 24 Related Party Disclosures

The amendment clarifies that a management entity – an entity that provides key management personnel services – is a related party subject to the related party disclosures. The amendment will be applied retrospectively.

Annual Improvements - ***2011-2013***

Cycle *TFRS 3 Business Combinations*

The amendment clarifies i) that not only joint ventures but also joint arrangements are excluded from the scope of TFRS 3, and ii) that this scope exception only applies to the accounting in the financial statements of the joint arrangement. The amendment will be applied prospectively.

Basis for Conclusions of TFRS 13 Fair Value Measurement

It is clarified that the portfolio exception in TFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of TAS 39. The amendment will be applied prospectively.

TAS 40 Investment Property

The amendment clarifies the interrelationship between TFRS 3 and TAS 40 in classification of a property as investment property or owner-occupied property. The amendment will be applied prospectively. It is not expected that these amendments will have a significant effect on the Group's financial position or performance.

The new and amended standards and interpretations published by the International Accounting Standards Board (IASB) but not published by POA.

The below-mentioned new standards, interpretations and amendments in existing IFRS standards are published by IASB but are not yet effective for the current reporting period. However, these new standards, interpretations and amendments are not yet adapted to TFRS, or published, by POA and therefore do not form a part of TFRS. The Group will make the necessary changes in its financial statements and notes after these standards and interpretations become effective as TFRS standards.

Annual Improvements - ***2010-2012***

Cycle *TFRS 13 Fair Value Measurement*

As explained in the basis for conclusion of the decision, short-term trade receivables and payables with no stated interest rate may be shown at the original invoice amount if the effect of discounting is immaterial. The amendments will be implemented immediately.

2. Basis of presentation of financial statements

(continued) Annual Improvements - ***2011 – 2013 Cycle***

IFRS 15- Revenue from Contracts with Customers

In May 2014, IASB published the standard IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard specifies the requirements for the recognition and measurement of revenue. The standard is to be applied to the revenue from contracts with customers and is a model for the recognition and measurement of the sale of some non-financial assets (such as tangible fixed asset outflows) that are not relevant for an entity's ordinary activities. IFRS 15 applies for annual reporting periods starting from 1 January 2017 onward. Earlier adoption is permitted. Two alternative applications are presented for transition to IFRS 15; full retroactive application or modified retroactive application. If modified retroactive application is preferred, prior periods will not be restated but comparative quantitative information will be provided in the notes to financial statements. The effects of this amendment on the Group's financial position and performance is being assessed.

IFRS 9 Financial Instruments – Final Standard (2014)

On [24] July 2014, IASB issued the final version of its project IFRS 9 Financial Instruments, which is a replacement of IAS 39 Financial Instruments: Recognition and Measurement, consisting of classification and measurement, impairment and hedge accounting phases. IFRS 9 relies on a rational, single classification and measurement approach that reflects the business model and cash flow characteristics that are managed within financial assets. A single model has been established that can be applied to all financial instruments subject to impairment accounting with a forward "expected credit loss" model that will enable credit losses to be accounted for more timely.
In addition, if banks and other entities choose an option to measure their financial payables at fair value, IFRS 9 addresses the so-called "own credit risk", which results in the recording of income in the income statement due to a decrease in the fair value of the financial liability due to the decrease in its creditworthiness. The standard also includes a hedging model developed to better correlate risk management economics with accounting practices. IFRS 9 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Furthermore, amendments to 'own credit risk' are allowed to be applied early, alone, without changing the accounting for financial instruments. The Group is assessing the impact of the standard on its financial position and performance.

IAS 27- Equity Method in Separate Financial Statements (Amendments to IAS 27)

On [12] August 2014, IASB issued amendments to IAS 27 to reinstate the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements. Accordingly, entities are required to recognise these investments:
• at cost
• in accordance with IFRS 9 (or
IAS 39), or
• using the equity method.

Entities must apply the same accounting for each category of investments. This amendment is effective for annual periods beginning on or after 1 January 2016 and must be applied retrospectively. Early application is permitted, with disclosure of such fact. The effects of this standard on the Group's financial position and performance is being assessed. or This amendment does not apply to the Group and will not affect the [Group]'s financial position or performance.

2. Basis of presentation of financial statements

(continued) Annual Improvements to IFRS - 2012 – 2014

Cycle

IASB issued its annual cycle ofimprovements to IFRSs, Annual Improvements to IFRSs 2012-2014 Cycle in September 2014. Thedocument sets out five amendments to four standards, excluding those standards that areconsequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of amendments are as follows:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal
- IFRS 7 Financial Instruments: Disclosures – servicing contracts; applicability of the amendments to IFRS 7 to condensed interim financial statements
- IAS 19 Employee Benefits – regional market issue regarding discount rate
- IAS 34 Interim Financial Reporting – disclosure of information 'elsewhere in the interim financial report'

This amendment is effective for annual reporting periods beginning on or after 1 January 2016, whereby an earlier application is permitted. The effects of these amendments on the Group's financial position and performance are being assessed.

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

In September 2014, IASB amended IFRS 10 and IAS 28 to address the inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture. This amendment clarifies that an investor should recognise a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. Gains or losses arising from remeasurement at fair value of investments held in the former subsidiary should only be accounted to the extent of unrelated investors' interest in the former subsidiary. Entities should apply this amendment prospectively for annual reporting periods beginning on or after January 1, 2016. Earlier adoption is permitted. The effects of this amendment on the Group's financial position and performance is being assessed. The amendments do not apply to the Group and will not affect the [Group]'s financial position or performance.

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

In December 2014, IASB amended IFRS 10, IFRS 12 and IAS 28 to address issues that have arisen in the context of applying the consolidation exception for investment entities: The amendments are effective for annual periods beginning on or after January 1, 2016. Earlier adoption is permitted. The amendments do not apply to the Group and will not affect the Group's financial position or performance.

IAS 1: Disclosure Initiative (Amendments to IAS 1)

IASB made an amendment to IAS 1 in December 2014. These amendments include narrow-focus improvements in the following areas: Materiality, disaggregation and subtotals, notes structure, disclosure of accounting policies, presentation of items of other comprehensive income arising from investments accounted for in equity. These amendments are effective for annual periods beginning on or after 1 January 2016. Early application is permitted.

2. Basis of presentation of financial statements (continued)

2.3 Summary of significant accounting

policies Cash and cash equivalents

Cash and cash equivalents include cash, checking accounts and other short-term highly liquid investments with a maturity of 3 months or less at the time of purchase, which are readily convertible to cash and not subject to significant risks in terms of change in value.

Financial

istruments

Financial assets

The Company has classified its financial assets as trade receivables, available-for-sale financial investments and cash and cash equivalents. Classification is made according to the purpose of acquisition of financial assets. The management classifies the financial assets on the date of purchase.

Available-for-sale financial investments

The subsequent valuation following the initial recognition of available-for-sale securities classified under financial investments is made at fair value. Profit or loss arising from changes in the fair value of available-for-sale securities is presented in a separate line item under equity until the related assets are sold, converted to cash, or otherwise disposed of, or until their value decreases, and after that date, the accumulated fair value differences are associated with income and expenditure account.

The fair values of securities available for sale that are traded in active markets are determined either at the current market rates as of the balance sheet date or at the prices quoted on the Stock Exchange or at the current market buying prices.

Dividends received from securities available for sale are accounted for in dividend income. *Trade*

receivables

Trade receivables are recognized with their invoiced amounts and are carried at their net values discounted using the effective interest rate method and, if any, after deducting provision for doubtful receivables in the following periods.

Notes and postdated cheques classified in trade receivables are carried at their discounted values rediscounted using the effective interest rate method.

The provision for doubtful receivables is recognized as an expense. If there is a concrete indication that the due receivables cannot be collected, a provision for doubtful receivables is allocated. The provision is the amount that is estimated by the Company management and considered to cover the possible losses that may arise from economic conditions or risks which the account carries by its very nature. Uncollectible receivables (bad debts) are completely deleted from the records in case they are detected.

The Company collects some of its receivables through factoring. The Company follows the related receivables in the financial statements since the collection risk belongs to the Company until the factoring company collects the transferred receivables from the customers. Advances received from the factoring company in exchange of these receivables are reported as factoring payables under "Financial Payables". Factoring expenses are accounted for on accrual basis in financing expenses account.

2. Basis of presentation of financial statements (continued)

2.3 Summary of significant accounting policies

(continued) _Impairment of financial assets_

At each balance sheet date, financial assets or groups of financial assets are assessed on whether there are any indicators of impairment. An impairment loss exists if, after the initial recognition of a financial asset, one or more events occur and there is an objective indicator that the related financial asset, or assets group, is impaired in value due to the negative impact of the said event(s) on the foreseeable future cash flows of the related financial asset, or assets group. The amount of impairment on loans and receivables is the difference between the asset's carrying amount and the present value of its anticipated future cash flows, which are discounted using the financial asset's effective interest rate. The Company follows its receivables separately and does not allocate a collective provision.

For all financial assets, except for trade receivables where the carrying amount is written down by the use of a reserve (provision) account, the impairment is directly deducted from the carrying amount of the related financial asset. A trade receivable will be deducted and deleted from the reserve account if it cannot be collected. Changes in the reserve account are recognized in the statement of comprehensive income/(expense)

Negative differences between the acquisition cost and the fair value of available-for-sale financial assets are associated with the statement of comprehensive income in case the difference is significant and prolonged. Impairment losses recognized in profit or loss (income statement) relating to investments in equity instruments classified as available for sale are not reversed through profit or loss.

Except for equity instruments available for sale, if the impairment loss decreases in the following period and the decrease can be attributed to an event occurring after the impairment loss is recognized, the previously recognized impairment loss will be cancelled in the statement of comprehensive income in a manner that will not exceed the amount of the amortized cost that would have been achieved if the impairment of the investment had not been accounted for at the date the impairment was cancelled.

The increase occurred after the impairment in the fair value of available-for-sale equity instruments is accounted for directly in equity.

Financial liabilities

Financial liabilities are accounted for at their fair value and are carried at amortized cost using the effective interest method in the following periods together with the interest expense calculated according to the effective interest rate.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating the related interest expense over the relevant period. The effective interest rate is the rate at which the estimated future cash payments are discounted over the expected life of the financial instrument or a shorter period, where applicable, to arrive at the net present value of the related financial liability.

Bank loans

All bank loans are recorded at time of the initial recognition at the cost value that is considered to reflect their fair value and that includes the transaction cost.

After initial recognition, the loans are shown with their net values discounted using the effective interest rate method. When calculating discounted value, costs at the time of initial issue and discounts and premiums during the reimbursement are taken into account.

2. Basis of presentation of financial statements (continued)

2.3 Summary of significant accounting policies

(continued) _Trade payables_

Trade payables are recognised at discounted cost value representing the fair value of the invoiced or uninvoiced amount related to the purchase of goods and services to be incurred in the future. A part of the Company's trade payables is paid by the factoring company and the bank and the Company owes the amount paid to the factoring company or bank. The related amounts are reported as factoring payables and letter of credit liabilities under "Financial Payables", respectively.

Recognition and derecognition of financial assets and liabilities

All purchases and sales of financial assets are recognized on the transaction date, i.e. on the date the Company commits to purchase or sell the asset. Such purchases and sales are trades that generally require the delivery of the financial asset within the time-frame determined by general custom and regulations of the market.

A financial asset (or part of a financial asset, or a part of a group consisting of similar financial assets) is derecognized;

- if the time relating to the right to obtain cash flow from the asset is over;
- if the Company has the right to obtain cash flow from the asset but is obligated to pay the full amount without spending too much time under an agreement requiring direct transfer to a third party;
- if, in the case the Company transfers its right to obtain cash flows from the asset, (a) all risks or rewards with respect to the asset have been transferred or (b) all controls on the asset have been transferred although all rights or rewards have not been transferred.

If, in the case the Company transfers its right to obtain cash flows from the asset, all risks or rewards with respect to the asset have not been transferred or controls on it have not been transferred, the asset is carried in the financial statements according to the Company's ongoing relationship with the asset. Financial liabilities are derecognized if the debts arising from these liabilities are abolished, cancelled or expired.

Netting / Offsetting

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

Effects of changes in

exchange rates

Transactions and

balances

Transactions denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at the transaction dates when they are initially recognized. Monetary assets and liabilities denominated in foreign currencies are measured at the rates prevailing at the reporting date and foreign exchange gains and losses resulting therefrom are recognized in the comprehensive income statement for the related period. All monetary assets and liabilities are translated at the period-end exchange rates and the related foreign exchange differences are recognized in the comprehensive income statement. Non-monetary items denominated in foreign currencies and measured at cost value are translated into functional currency at the rates prevailing at the initial transaction date. Non-monetary items denominated in foreign currencies and measured at fair value are translated into functional currency at the exchange rates prevailing at the time the fair value was determined.

2. Basis of presentation of financial statements (continued)

2.3 Summary of significant accounting policies

(continued) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements ('reporting entity').

(a) A person or a close member of that person's family is deemed related to the reporting entity in the following situations:

If that person:

(i) has control or joint control over the reporting entity;
(ii) exercises significant influence over the reporting entity;
(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

(b) The entity is related to the reporting entity if any of the following conditions applies:
(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
(ii) The entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
(iii) Both entities are joint ventures of the same third party.
(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
(v) The entity has a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity has itself such a plan, the sponsoring employers are also related to the reporting entity.
(vi) The entity is controlled or jointly controlled by a person identified in (a).
(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

Inventories

Inventories are measured at the lower of cost and net realizable value. Cost includes all costs incurred in bringing the inventories to their present location and condition. Material, direct labor and general manufacturing costs consist the cost included in the inventories. Direct raw materials and supplies, work in process, finished goods, commodities, and spare parts that consist other inventories are valued using the moving weighted average cost method.

The Company has allocated provision for impairment of inventories for the parts of spare parts and commodity inventories that are not expected to be sold/used.

Net realizable value is the estimated selling price in the ordinary course of business, less the estimated cost of completion and the estimated costs necessary to make the sale.

(Amounts are expressed in Turkish lira (TL) unless otherwise

2. Basis of presentation of financial statements (continued)

2.3 Summary of significant accounting policies

(continued) Tangible fixed assets

Tangible fixed assets other than land are stated at cost less accumulated depreciation and impairment, if any. Lands are stated at fair value in accordance with the revaluation model as permitted by IAS 16 and are not depreciated. When the tangible assets are sold, the income or expense that arises after the deduction of the cost and accumulated depreciation of these assets from the related accounts is included in the comprehensive income/loss statement.

The initial cost of a tangible fixed asset comprises its purchase price, import duties, non-refundable taxes and any directly attributable costs of preparing the asset for its intended use. Expenses such as repair and maintenance that occur after the use of the tangible fixed asset has started are recognized as expense in the period in which they are incurred. If the expenditures made provide economic added value for the future use of the related tangible asset, these costs are added to the cost of the asset.

Tangible fixed assets are capitalized and depreciated when their capacity is fully available for use. Depreciable assets are depreciated on prorata basis over their useful lives.

Depreciation periods are as follows:

	Period
Buildings	25-50 years
Machinery and equipment	4-20 years
Vehicles	4-5 years
Furniture and fixtures	2-10 years
Rights	7-14 years
Special costs	5 years

The useful life and depreciation method are regularly reviewed and accordingly the compliance of the method and period of depreciation with the economic benefits to be gained from the related asset are looked through and thus prospective amendments are made if they are in compliance.

Intangible fixed assets

Intangibles fixed assets consisting of software rights are recognized at acquisition cost. Software rights are amortized over their adjusted cost values using straight-line method of depreciation on prorata basis over 3 to 15 years.

The carrying values of intangible fixed assets are reviewed and the necessary provision is allocated if the changes in conditions and the events indicate a possible decrease in the carrying value.

Investment property

Investment property is property held to earn rental income and/or for the purpose of capital appreciation. It is measured initially at cost, including transaction costs directly associated with acquisition. The book value also covers the cost of replacing a part of the investment property if the recognition principle of adding such costs is met. This value does not include daily expenditures made for the provision of services for investment properties. Depreciation is calculated using the ordinary depreciation method over the estimated useful life of the investment property other than land. In this context, depreciation period applied for buildings is 25 to 50 years.

2. Basis of presentation of financial statements (continued)

2.3 Summary of Significant accounting policies

(continued) Research and development expenses

Research expenditures are recognised as an expense when incurred. Costs incurred in development projects (related to the design and testing of new or improved products) are recognized as intangible fixed assets if the following conditions are met:

- In case the intangible asset is completed, it can be sold and used taking account of its technical feasibility;
- The management's intention to complete the intangible asset and either use it or sell it,
- the intangible assets can be used or sold,
- the demonstration of possible future economic benefits,
- Sufficient technical, financial and other resources for the completion, use or sale of the intangible asset;
- Reliable measurement of costs incurred during the development of the intangible asset.

Other development costs that do not meet these criteria are recorded as expense in the period in which they are incurred. Development costs recorded as expense in prior periods cannot be capitalized in subsequent periods. Capitalized development costs are recognized as intangible fixed assets and are amortized on a straight-line basis over the useful life not exceeding 5 years from the date the related asset is ready for use.

Government grants

All government grants, including non-monetary government grants monitored at fair value, are recognized in the financial statements only when there is reasonable assurance that the Company will comply with necessary conditions attached to the grant and the grant will be received or when the Company receives the grant. Government grants are accounted for as a deduction from the costs of the capitalizable intangible fixed assets that are intended to be financed with these grants.

Impairment of non-financial assets

Impairment test is conducted for depreciable assets if it is not possible for the asset to recover its carrying amount. An impairment loss is recognized if the carrying amount of the asset exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and its value in use. For the purpose of assessing impairment, assets are grouped at the lowest level where cash flows are separately identifiable (cash-generating units). Non-financial assets are reviewed at each reporting date for possible indications of impairment.

Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of assets that require significant time to be ready for their intended use or sale are capitalized as part of the cost of the related assets. Other borrowing costs are accounted for as expense in the periods they are incurred. Borrowing costs include interest and other costs incurred due to borrowing.

2. Basis of presentation of financial statements (continued)

2.3 Summary of significant accounting policies

(continued) Provisions, contingent liabilities and

contingent assets

Provisions

Provisions are only recognized if, and only if the Company has a present obligation resulting from a past event, and there is a probability of an outflow of economic resources providing economic benefit to the entity due to this obligation and the amount of the obligation can be estimated reliably.
Where the time value of money is material, provisions are reflected with the discounted value of possible future costs at the balance sheet date. Provisions are reviewed at each balance sheet date and necessary adjustments are made to reflect the management's best estimates.

Contingent liabilities and contingent assets

Contingent liabilities are not recognized in the financial statements, but disclosed in the notes if the situation requiring the transfer of resources is not highly probable. Contingent assets are not recognized in the financial statements, but disclosed in the notes where an inflow of economic benefits is probable.

Leasing transactions - as lessee

Finance leases

The Company recognizes fixed assets acquired through finance lease at the fair value at the beginning of the lease date on the balance sheet or, if lower, the value of the minimum rent payments at the balance sheet date (they are included in the related tangible asset items in the financial statements). In calculating the present value of the minimum lease payments, the discount factor is the interest rate implicit in the lease if this is practicable to determine, if not, borrowing interest rate is used as the discount factor. The expenses incurred during the initial acquisition of the fixed asset subject to finance lease are included in the cost. The liability arising from the leasing transaction is divided into interest payable and principal debt. Interest expenses are calculated over the fixed interest rate and included in the comprehensive income statement accounts of the related period. Leased fixed assets recognized in the financial statements are depreciated according to the corresponding useful lives of the depreciable assets owned by the Company.

Operating leases

If, in the lease of an asset, all risks and benefits remain with the lessor, such leases are classified as operating leases. Lease payments made under an operating lease are recognized as expense in the statement of comprehensive income on a straight-line basis over the lease term.

Taxes calculated on the basis of the company's earnings

Tax expense or income is the sum of the current and deferred taxes calculated in relation to the gains or losses incurred in the period. In the calculation of current and deferred tax, the tax rates that are valid as at the balance sheet date are used in accordance with the tax legislation in force in the country in which the Company operates. Deferred tax is calculated according to the balance sheet liability method. Deferred tax is the tax effect of temporary differences between the carrying amounts of assets and liabilities in the financial statements and their statutory tax bases, and is accounted for financial reporting purposes. Deferred tax assets are recognized for all deductible temporary differences, unused grants and financial losses carried forward, to the extent that it is probable that a future taxable profits will be available where this time time differences can be utilized. The deferred tax asset is reviewed at each balance sheet date and the carrying amount of the deferred tax asset is reduced in cases where it is not possible to generate sufficient taxable profit for future use of the deferred tax asset.

2. Basis of presentation of financial statements (continued)

2.3 Summary of significant accounting policies (continued)

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 enterprise.

Deferred tax is directly associated with equity account group if it relates to transactions that are directly associated with equity at a similar or different period.

The Company recognizes the deferred tax asset for deductible temporary differences only in the following situations and only when both situations are probable:

(a) Temporary differences will reverse in the foreseeable future; and
(b) The taxable profit will be available against which the deductible temporary difference can be utilized.

Employee benefits *Provision*

for severance payments

Pursuant to the existing Turkish Labour Law, the Company is obligated to make a certain amount of severance payment to the personnel, who has served at least for one year, that leaves work due to retirement or resignation or that is dismissed from work for reasons other than misconduct.

The Company calculated the provision for severance pay contained in the financial statements using the "Projection Method" based on the Company's experience gained in the past years concerning the completion of the personnel service period and severance pay entitlements and discounted them according to the government bond rates on the date of the balance sheet. All actuarial gains and losses calculated are recognized in the statement of comprehensive income/expense.

Unused vacation entitlements

The unused vacation entitlements in the financial statements represent the estimated total sum of possible future liabilities related to the accumulated vacation days of the employees as of the balance sheet date.

Events occurring after the balance sheet date

Post-balance-sheet events (events requiring adjustments) that provide additional information about the Company's position at the balance sheet date are reflected in the accompanying financial statements. Post-balance-sheet events that do not require adjustment are disclosed in the notes if they are material.

Earnings per share (TL)

Earnings per share disclosed in the statement of comprehensive income are calculated by dividing the net income for the period by the weighted average number of shares outstanding during the reporting period.

In Turkey, companies can increase their capital through "bonus shares" distributed to their present shareholders from prior years' earnings. Such "bonus share" distributions are treated as issued shares in the calculation of earnings per share. Accordingly, the weighted average number of shares used in these calculations is found by also taking into account the retrospective effects of such share distributions.

2. Basis of presentation of financial statements (continued)

2.3 Summary of significant accounting policies

(continued) Income

Sales revenues are recognized on an accrual basis at the fair value of the consideration received or receivable in the cases the goods are delivered or the service is provided, the product-related important risks and benefits are transferred to the buyer, the amount of income can be calculated reliably or if it is very likely that the Company will obtain the economic benefits related to the transaction. Net sales show the invoiced value, excluding sales tax of the sold product or completed service, less rebates and discounts. Interest income obtained within other income is calculated using the effective interest rate method and recognized on an accrual basis, and rental income obtained within operating lease is recognized on a periodical accrual basis.

Cash-flow statement

In the statement of cash flows, cash flows for the period are classified and reported as operating, investing and financing activities. Cash flows from operating activities represent the Company's cash flows from tractor and engine selling activities. Cash flows related to investing activities represent the cash flows which the Company uses in its investment activities (tangible and intangible investments and financial investments). Cash flows from financing activities represent the resources which the Company uses in its financing activities and the repayments of those resources. Cash and cash equivalents include cash, checking accounts and other short-term highly liquid investments with a maturity of 3 months or less at the time of purchase, which are readily convertible to cash and not subject to significant risks in terms of change in value.

Fixed assets held for transfer and discontinued operations

Activities to be disposed of are the activities and cash flows, which the Company has disposed of or classified as available-for-sale asset, that can be separated from the entirety of the Company. The activities to be disposed of represent a separate field of activity or geographical area of activity, and are part of a separate plan for sale or disposal, or are a subsidiary purchased for sale. The Company measures the activities to be disposed of at the lower of the carrying amount of the related assets and liabilities and their fair value less costs to sell.

2.3.1 Changes in accounting policies Lands

As of 31 December 2011, the Company changed its policy in the measurement of lands after the recognition within the frame of IAS 16, and decided to apply the revaluation method, which represents the fair value, instead of applying the cost model. The Company determined the fair value of its lands according to the valuation work made by a valuation company holding a valuation licence issued by CMB and recognized them as of 31 December 2011. This voluntary change in accounting policies requires a retrospective application in financial statements.
However, retrospective application was not possible because it was determined that it was not possible to obtain sufficient and healthy information and to make a reliable assessment for determining the fair value of the lands. The following accounting entries were made in the financial statements of December 31, 2011 due to the change in the Company's accounting policy:

Increase in the value of lands: 41,443,301 TL.
Increase in tangible fixed assets revaluation fund:
39,371,136 TL. Increase in deferred tax liability: 2,072,165
TL.

2. Basis of presentation of financial statements (continued)

2.3.1 Changes in accounting policies (continued)

2.4 Significant accounting judgments, estimates and assumptions

In the preparation of the financial statements, the Company's management is required to make judgments, estimations and assumptions to determine the liabilities and commitments that may occur as of the balance sheet date and the amounts of income and expenses for the reporting period, which will effect the amounts of reported assets and liabilities. Actual results may differ from estimates. Estimations are regularly reviewed and revised and necessary adjustments are made, and they are reflected in the statement comprehensive income for the period in which they occur. Significant assumptions, which were made taking into consideration the main sources of estimations that were available at the balance sheet date or that may be realized in the future, that may have a significant effect on the amounts reflected in the financial statements are as follows:

Economic lives of tangible and intangible fixed assets

The Company's management has made significant assumptions in determining the economic lifetimes of tangible assets (Note 2.3). The Company constantly reviews the physical and economic usability of the machinery and equipment currently in use. The physical and economic lifetimes of the main production lines has been determined based on the assumption that the main production lines are not overly worn due to below-capacity production during and after the privatisation process.

Provision for warranties

Repair and maintenance costs made for the goods manufactured and sold by the Company, labour and material costs of the authorised services provided free of charge to the customers within the warranty period, initial maintenance costs incurred by the Company and results of estimations according to historical data for possible returns and repair levels of products in the coming years whose proceeds have been recognised as income in the current period are recognised as warranty expenses. The Company provides a two-year warranty for the goods which it sells. As the Company expects a significant part of the warranty expenses to be realised within 1 year, the Company reflects the provisions for warranties as short-term expenses.

Provision for doubtful trade receivables

The Company management has made estimates for the determination of doubtful trade receivables in its trade receivables portfolio, taking into account past collection history and the current status of customers.

Provision for severance payments

Provision for severance pay is determined using actuarial calculations based on a number of assumptions, including discount rates, future salary increases and employee turnover rates. Because these plans are long-term, the assumptions involve significant uncertainties.

Deferred taxes

Deferred tax assets are accounted for to the extent that it is very likely that a taxable profit will be available to benefit from tax advantage in the future. Deferred tax assets are calculated on the basis of unused tax deductions and other temporary differences if the tax advantage is probable.

(Amounts are expressed in Turkish lira (TL) unless otherwise

2. Basis of presentation of financial statements (continued)

2.3.1 Changes in accounting policies (continued)

Provision for inventories

In relation to inventory impairment, inventories are examined physically and in terms of the length of time passed, and their usability is determined according to the technical personnel's opinions and a provision is allocated for the items which are estimated as unusable. In the determination of the net realizable value of inventories, the list prices and data regarding the average discount rates given during the year are used, and estimates related to the sales expenses to be incurred are made.

3. Business combinations

In 2014, the Company purchased10,000,000 shares amounting to 100% in the paid-in capital of TL 10,000,000 of Tümosan Foundry Inc., which is owned by the Company's main shareholder, at the rate of TL 20,000,000. Since i) business combinations under common should be accounted for by the pooling of interest method, ii) goodwill should therefore not be included in financial statements, iii) financial statements should be adjusted when applying the pooling of interest method as if the combination was realised at the beginning of the reporting period in which the common control occurred and they should be presented comparatively from the beginning of the reporting period in which common control occurred, the Group has revised its prior year's financial statements. Thus, any goodwill or negative goodwill has not been calculated as a result of these transactions and the difference arising from offsetting of the participation amount and the amount of its share in the acquired company's capital is recognised directly under equity as "Effect of combinations involving ventures or entities under common control".

This transaction has been accounted for in accordance with the principle decision of POA numbered 2013-2 on "Accounting for Business Combinations under Common Control". Consequently, no goodwill was incurred on the financial statements due to the purchase of Tümosan Foundry Inc. The difference between the total purchase price and the share of the net asset value of Tümosan Foundry Inc. in its financial statements prepared in accordance with TFRS falling to the Company is directly accounted for under equity in the account of "Effect of combinations involving ventures or entities under common control".

The share of the assets and liabilities of Tümosan Foundry in the financial statements prepared in accordance with TFRS falling to the Company and the formation of the account of the effect of combinations involving ventures or entities under common control are as follows for the years in which the acquisition has taken place:

Balance sheet	**2014**
Total assets	11,186,669
Total liabilities	(2,840,179)
Net asssets	**8,346,490**
The Group's share ratio	100%
The Group's share in net assets	8,346,490
Effect of combinations involving ventures or entities under common control	12,304,305
Acquisition amount	**20,650,795**

4. Reporting by segments

The Group's management does not report financial information by segments because there are no different types of products and different geographical areas that require reporting by segments. The distribution of the Group's sales according to geographical markets (domestic-foreign) and product groups are shown in Note 19.

(Amounts are expressed in Turkish lira (TL) unless otherwise

5. Cash and cash equivalents

As of December 31, 2014 and December 31, 2013, the amounts of the Group's time deposits, their average rates of return and their average maturity are as follows:

	December 31, 2014	December 31, 2013
Cash	**20,118**	16,982
Demand deposits in banks	**927,757**	5,309,173
Time deposits in banks	**282,060**	49,904
	1,229,935	5,376,059

The time deposit amounts to TL 282,060 as of December 31, 2014. Its interest rate is 9.5% and maturity is less than 30 days. (On 31 December 2013, the TL-denominated time deposit amounting to TL 40,000 is a guarantee for an oil company with which the Company has an agreement and is maintained as time deposit in the bank. This time deposit's interest rate is 6.5% per annum. The details of cash and cash equivalents in the cash-flow statements as of December 31, 2014 and December 31, 2013 are as follows:

	December 31, 2014	December 31, 2013
Cash	**20,118**	16,982
Banks	**1,209,817**	5,359,077
Cash and cash equivalents in the cash-flow statement	**1,229,935**	5,376,059

6. Financial investments

	December 31, 2014	December 31, 2013
Cosmos Investment Trust Inc.	**104,308**	242,251
	104,308	242,251

Cosmos Investment Trust Inc., whose shares are traded on the Istanbul Stock Exchange, is presented by valuing it on the basis of its market prices quoted at the stock exchange at the end of the business day on 31 December 2014.

(Amounts are expressed in Turkish lira (TL) unless otherwise

7. Financial payables

The interest and foreign exchange details of financial loans are as follows:

	December 31, 2014		December 31, 2013	
	Effective Interest Rate %	**TL amount**	Effective Interest Rate %	TL amount
Short term:				
- US dollar	**0%**	**(41,868)**	0%	439,965
- TL	**12.00% - 12.82%**	**25,614,857**	11.47% - 19.64%	199,503
Short-term portion of long-term loans:				
- TL	**-**	**-**	11.47% - 19.64%	2,906,810
Long term:				
- US dollar	**-**	**-**	0%	41,512
		25,656,725		3,587,790

The maturities of long-term financial payables are as follows:

	December 31, 2014	December 31, 2013
2014	**-**	-
2015	**-**	41,512
-		41,512

Other financial liabilities

	December 31, 2014	December 31, 2013
Liabilities from factoring transactions (*)	**5,098,678**	**-**
	5,098,678	**-**

(*) Liabilities from factoring transactions are about postdated cheques and notes transferred revocably to factoring institutions and are shown in the balance sheet assets under postdated cheques and notes receivables, details of which are given in Note 8.

(Amounts are expressed in Turkish lira (TL) unless otherwise

8. Trade receivables and payables

a) Trade receivables

	December 31, 2014	December 31, 2013
Trade receivables	**13,709,386**	26,168,346
Postdated cheques and notes receivable	**65,076,468**	30,606,117
	78,785,854	56,774,463
Less: Provision for doubtful receivables	**(453,730)**	(2,016,194)
	78,332,124	54,758,269
Trade receivables from related parties	**67,292**	152,625
	78,399,416	54,910,894

The movement of the provision for doubtful receivables as of December 31, 2014 and December 31, 2013 is as follows:

	2014	2013
Balance on January 1	**(2,016,194)**	(2,504,861)
Provisions allocated during the period	**(406,372)**	(247,373)
Provisions no longer required	**1,968,836**	736,040
Balance on December 31	**(453,730)**	(2,016,194)

The aging schedule relating to trade receivables for which a provision for doubtful receivables is not allocated as of December 31, 2014 and December 31, 2013 is as follows:

			Provision not allocated			depite being overdue
	Total	Amounts that are not past due and for which a provision is not allocated	Up to 1 month	1 to 3 months	3 to 4 months	4 months and over
December 31, 2014	**13,322,948**	**2,230,626**	**6,533,456**	**3,319,822**	**901,419**	**337,625**
December 31, 2013	24,304,777	23,087,583	518,931	69,680	27,406	601,177

The Group did not allocate any provision for its past-due receivables not yet collected because it does not foresee a problem in their collections due to its long-term relationship with the related customers and the ongoing trade with the customers in question.

b) Trade payables

	December 31, 2014	December 31, 2013
Trade payables	**32,865,970**	33,042,359
Notes payable	**7,015,504**	2,113,064
Other trade payables	**-**	714,729
	39,881,474	35,870,152
Trade payables to related parties	**172,683**	139,962

	40,054,157	36,010,114

(Amounts are expressed in Turkish lira (TL) unless otherwise

9. Inventories

	December 31, 2014	December 31, 2013
Materials and spare parts	**58,770,748**	64,605,115
Work in process inventories	**6,085,685**	5,596,405
Finished goods inventories	**11,293,878**	6,268,288
Trade goods	**4,141,295**	4,309,758
Goods in transit	**10,225,027**	17,544,922
	90,516,633	98,324,488
Less: Provision for decline in value of inventories	**(1,882,053)**	(826,681)
	88,634,580	97,497,807

As at 31 December 2014 and 31 December 2013, there are no pledges or mortgages on inventories.

The movements in inventory impairment by periods are as follows;

	2014	2013
Balance on January 1	**(826,681)**	(1,318,269)
Expense for the current period	**(1,484,233)**	(791,725)
Realised in the current period	**428,861**	1,283,313
Balance on December 31	**(1,882,053)**	(826,681)

(Amounts are expressed in Turkish lira (TL) unless otherwise

10. Tangible fixed assets

	Lands	Overland plants	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Special costs	Total
Cost								-
January 1, 2014	44,113,075	2,520	12,121,580	58,161,131	2,884,760	6,411,984	702,706	124,397,756
Inflows	-	-	-	7,098,072	885,760	923,648	66,195	8,973,674
December 31, 2014	44,113,075	2,520	12,121,580	65,259,203	3,770,520	7,335,632	768,901	133,371,430
Accumulated								
depreciation 1	-	376	1,801,000	28,211,526	1,290,733	1,884,699	382,028	33,570,362
January 2014								
Depreciation for the current period	-	244	333,020	5,412,733	592,789	1,124,651	97,021	7,560,458
December 31, 2014	-	620	2,134,019	33,624,259	1,883,522	3,009,350	479,049	41,130,820
Net book value on January 1, 2014	44,113,075	2,144	10,320,580	29,949,605	1,594,027	4,527,285	320,678	90,827,394
Net book value on December 31, 2014	44,113,075	1,900	9,987,560	31,634,944	1,886,997	4,326,282	289,851	92,240,610

There is no capitalised financing cost on tangible fixed assets. There are no mortgages, guarantees and pledges on tangible fixed assets.

(Amounts are expressed in Turkish lira (TL) unless otherwise

10. Tangible fixed assets (continued)

	Lands (**)	Overland plants	Buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Special costs	Total
Cost								-
January 1, 2013	43,698,539	2,520	8,589,610	49,167,981	2,192,368	2,571,595	308,182	106,530,795
Inflows	414,536	-	3,531,970	8,993,149	692,392	3,840,389	394,524	17,866,961
December 31, 2013	44,113,075	2,520	12,121,580	58,161,131	2,884,760	6,411,984	702,706	124,397,756
Accumulated depreciation								
January 1, 2013	-	208	1,461,245	23,628,141	730,842	1,396,652	294,928	27,512,016
Depreciation for the current period	-	168	339,754	4,583,385	559,891	488,047	87,100	6,058,346
December 31, 2013	-	376	1,801,000	28,211,526	1,290,733	1,884,699	382,028	33,570,362
Net book value on January 1, 2013	43,698,539	2,312	7,128,365	25,539,841	1,461,526	1,174,943	13,254	79,018,779
Net book value on December 31, 2013	44,113,075	2,144	10,320,580	29,949,605	1,594,027	4,527,285	320,678	90,827,394

(**) In May 2012, TSKB Real Estate Appraisal Inc., a company licensed by the Capital Markets Board, determined the fair values of the lands using the comparable price method.

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11. Intangible fixed assets

	2014	2013
Net book value on January 1	**7,801,456**	2,163,406
Purchases (*)	**6,761,524**	6,652,297
Amortisation charges	**(2,209,513)**	(1,014,247)
Net book value on December 31	**12,353,468**	7,801,456
December 31,		
Cost	**16,808,134**	10,046,610
Accumulated amortisation charges	**(4,454,667)**	(2,245,154)
Net book value	**12,353,468**	7,801,456

(*) Intangible fixed assets inflows as of December 31, 2014 consist of: applications submitted to TUBITAK-TEYDEB for "Diesel engine design compliying phase 4 emission standards of in-line 6-cylinder turbo intercooler (TL 3,753,234)", numbered 3120432 and dated June 8, 2012, and "Design and development of a hydraulic drive 4-wheel self-propelled dry type cotton picker (TL 2,201,361)", numbered 3130510 and dated June 28, 2013; the project cost of TL 479,258 made for "Altay tank power development project"; and other intangible asset purchases amounting to TL 327,671.

There are no pledges or mortgages on the intangible fixed assets of the Group.

12. Investment properties

	2014	2013
Cost		
Balance on January 1 (*)	**2,165,426**	2,165,426
Balance on December 31	**2,165,426**	2,165,426
Depreciation		
Balance on January 1	**(489,150)**	(425,925)
Depreciation expense for the period	**(35,508)**	(63,225)
Balance on December 31	**(524,658)**	(489,150)
Net book value on December 31	**1,640,768**	1,676,276

(*) As of 1 January 2012, these invesment properties consist of Engine Mechanical Work Plant, which is on factory area of Tümosan Engine and Tractor Industry Inc. located in the city Konya, leased to Kademe Waste Technologies Inc., and apartments, which are in EGS Blocks located in Bakırköy district of Istanbul, leased to Albayrak Tourism Travel Construction Trade Inc. as office. From these investment properties, apartments leased as office are leased to the related parties controlled by the parent company through operating lease. From these assets, the Company transferred the apartments leased as office to Tümosan Foundry Inc., which was newly established through partial division on 4 July 2012 pursuant to the decision taken by the Board of Management on 15 March 2012.

(**) As of December 31, 2014, the net book value of Engine Mechanical Work Plant, which is an asset classified as investment property, is TL 299,967. In the current period, the Company obtained TL 120,000 rental income from these investment properties. The Company determined the fair value of this investment property as TL 2,331,000 according to the valuation study made by TSKB Real Estate Appraisal Inc. in May 2012.
As of December 31, 2014, the net book value of the apartments, which are assets classified as investment property, leased as office is TL 1,130,686. In the current period, the Group obtained USD 175,800 rental income from these investment properties. The Group has determined the fair value of these investment properties as TL 8,110,000 according to the valuation study dated April 25, 2014.

(Amounts are expressed in Turkish lira (TL) unless otherwise

13. Provisions, contingent assets and contingent liabilities

Debt provisions

	December 31, 2014	December 31, 2013
Provision for warranties	5,845,270	5,847,546
	5,845,270	5,847,546

The movements of provision for warranty expenses over periods are as follows:

	2014	2013
Balance on January 1	**5,847,546**	4,117,166
Provision used during the period	**(7,763,671)**	(3,253,682)
Provision allocated during the period	**7,761,395**	4,984,062
Balance on December 31	**5,845,270**	5,847,546

14. Commitments

The Company's position for the guarantees, pledges and mortgages (GPM) as of December 31, 2014 and December 31, 2013 are as follows. GPMs given by the Company:

	December 31, 2014	December 31, 2013
A: Guarantees and mortgages given on behalf of its own legal personality	**2,522,907**	3,024,707
B: The total amount of GPMs given on behalf of other third parties for the continuation of its ordinary business operations (*)	**466,556,178**	394,776,112
C: The total amount of other GPMs given	**-**	-
i. The total amount of GPMs given on behalf of the parent company	**-**	-
ii. The total amount of GPMs given on behalf the other Group companies that do not fall under Articles B and C	**-**	-
Total	**469,079,085**	397,800,819

Details of GPMs in foreign currency are as follows (TL equivalents):

	December 31, 2014	December 31, 2013
Turkish lira	**468,660,224**	397,129,088
US dollar	**418,861**	671,731
Total	**469,079,085**	397,800,819

(*) The Company and the Turkish Ziraat Bank (hereinafter the "Bank") signed an agreement on December 2010. According to this agreement, in the event the customer that has purchased the tractor which the Company sells through Tümosan's tractor vendors (Vendor) using credit via the Bank fails to repay the credit, the Bank has the right to request from the Company the difference between the income obtained from the forced sale of the tractor and the 75% of the insurable value determined by the Association of the Insurance and Reinsurance Companies of Turkey for the related tractor.

- However, the Company reflects the difference that the Bank will request from it to the relevant Vendor that has sold the tractor. Therefore, the liability is ultimately transferred to the Vendor although the guarantee mentioned above is a guarantee given to the Bank by the Company.

(Amounts are expressed in Turkish lira (TL) unless otherwise

15. Provisions for employee benefits

a) Short-term employee benefits

	December 31, 2014	December 31, 2013
Provision for unused vacations	**579,343**	518,366
	579,343	518,366

b) Long-term employee benefits

	December 31, 2014	December 31, 2013
Provision for severance payments	**2,808,016**	2,039,725
	2,808,016	2,039,725

Pursuant to the existing Turkish Labour Law, the Company is obligated to make a certain amount of severance payment to the personnel, who has served at least for one year, that leaves work due to retirement or resignation or that is dismissed from work for reasons other than misconduct or that is obliged to leave work because of compulsory military service. The amount payable consists of one month's salary for each year of service and is limited to TL 3,438 as of 31 December 2014 and TL 3,254 as of 31 December 2013. Based on the information gained from past experience, the Company has discounted the benefits gained by employees entitled to severance payments by using the government bond rates valid at the balance sheet date and reflected the discounted net values to the financial statements. Provision for severance payments is allocated by calculating the present value of the possible liability to be paid in case of the employees' retirement. Accordingly, the actuarial assumptions used to calculate the liability as of December 31, 2014 and December 31, 2013 are as follows:

	December 31, 2014	December 31, 2013
Discount rate	**8.00%**	8.6%
Estimated limit/wage increase	**6.50%**	5.00%
Net discount rate	**1.50%**	3.43%

Movement table of provision for severance payment	**2014**	2013
Balance on January 1	**2,039,725**	1,582,941
Service cost	**621,971**	559,671
Interest expense	**175,416**	136,133
Actuarial losses/(gains)	**425,352**	(141,774)
Paid	**(454,448)**	(97,246)
Balance on December 31	**2,808,016**	2,039,725

16. Liabilities for employee benefits

	December 31, 2014	December 31, 2013
Taxes and liabilities payable (*)	**1,169,373**	519,550
Payables to employees	**163,324**	626,667
	1,332,697	1,146,217

(*) It comprises the Company's payables for social security contributions of its employees and witholding debts.

(Amounts are expressed in Turkish lira (TL) unless otherwise

17. Other assets and liabilities

a) Other current assets and prepaid expenses

Other current assets	**December 31, 2014**	December 31, 2013
Deferred VAT	**22,418,421**	30,901,884
Deposits and guarantees given	**64,625**	67,056
Other	**117,338**	193,418
	22,600,384	31,162,358

Prepaid expenses	**December 31, 2014**	December 31, 2013
Advances given	**7,664,542**	2,900,204
	7,664,542	2,900,204

b) Other fixed assets

	December 31, 2014	December 31, 2013
Other fixed assets	**21,438**	13,720
	21,438	13,720

c) Other liabilities

Other short-term liabilities and deferred income

Other short-term liabilities	**December 31, 2014**	December 31, 2013
Taxes and funds payable	**1,423,828**	338,971
Other	**31,181**	34,847
	1,455,009	373,818

Deferred income	**December 31, 2014**	December 31, 2013
Advances received	**5,419,148**	1,556,375
	5,419,148	1,556,375

(Amounts are expressed in Turkish lira (TL) unless otherwise

18. Equity

a) Capital

The Group's shareholders and their shares in the capital as of December 31, 2014 and December 31, 2013 are as follows:

		December 31, 2014		December 31, 2013
	Rate %	**TL**	Rate %	TL
Ereğli Textile Tourism Industry and Trade Inc.	**67.20**	**77,285,493**	68.57	78,855,500
Other	**11.74**	**13,500,000**	12.18	14,007,000
Free-float portion	**21.06**	**24,214,507**	19.25	22,137,500
Capital	**100**	**115,000,000**	100	115,000,000
Paid-in capital		**115,000,000**		115,000,000

As of December 31, 2014, the Group's capital is fully paid up and consists of 115,000,000 shares with nominal value of TL 115,000,000 and TL 1 per share (December 31, 2013 - Capital: TL 115,000,000 and 115,000,000 shares with TL 1 per share). In accordance with the Communiqué (Serial: XI, No: 29), which entered into force on January 1, 2008, and CMB announcements explaining this Communiqué, "Paid-in Capital", "Reserves on Retained Earnings" and "Share Premiums" are required to be presented at the amounts in statutory records.

The differences in valuations during the implementation of the said Communiqué:

- should be related with the "Capital Adjustment Difference" to be coming after the "Paid-in Capital" item if the differences arise from the "Paid-in Capital" and are not yet added to the capital;
- should be related with the "Accumulated Profits/Losses" if the differences arise from "Reserves on Retained Earnings" and "Share Premiums" and are not yet subject to profit distribution or capital increase. Other equity items are presented with their amounts valuated within the framework of CMB's Financial Reporting Standards.

Share premium:

In the public offering held on December 5, 2012, the Group increased its capital by TL 10,000,000 by restricting its shareholders' subscription rights and reflected the share premium of TL 26,241,624, which was obtained after deducting the public offering expenses of TL 3,758,376 occurred during this transaction, in the equity on its financial statements.

Dividend Distribution

Publicly-listed companies distribute their dividends according to the CMB's Communiqué on Dividends (II-19.1), effective from February 1, 2014. Companies distribute their profits by decisions of the general meeting ofshareholders within the frame of their dividend distribution policies to be determined by thegeneral meeting of shareholders and in accordance with the provisions of the applicable laws andregulations. A minimum distribution rate has not been determined within the scope of the said Communiqué. Companies pay dividends in the manner specified in their articles of association or dividend distribution policies. Furthermore, companies may pay dividends in installments of equal or different amounts and distribute dividend advances in cash over their profits shown in their interim financial statements.

Unless and until both the reserve required to be set aside as per TCC (Turkish Commercial Code), and the dividend determined for payment to shareholders in the articles of association or in the dividend distribution policy are reserved, it cannot be decided to set aside other reserve, or to carry dividend forward to next year, or to distribute dividend to beneficial interest certificate, board members, company's employees and other non-shareholders, nor can profit shares be distributed to the said persons unless and until the dividend determined for shareholders are fully paid in cash.

(Amounts are expressed in Turkish lira (TL) unless otherwise

18. Equity (contd)

Unless and until both the reserve required to be set aside according to the law, and the dividend determined for payment to shareholders in the articles of association are reserved, it cannot be decided to set aside other reserve, or to carry dividend forward to next year, or to distribute dividend to beneficial interest certificate, board members and company's employees, nor can profit shares be distributed to the said persons unless and until the dividend determined for shareholders are fully paid in cash. In publicly-listed companies, dividends shall be distributed equally to all of the shares existing as of the date of distribution, regardless of their dates of issuance and acquisition.

According to the legislation in force, dividends can be distributed, depending on the decision of the general meeting of shareholders, in cash, or as bonus share distribution to shareholders by adding the capital, or both in cash and bonus share form with certain rates, or the amount of dividends can be kept in the company without distributing them as per the principles set out in the Communiqué Serial: IV, No: 27, in which CMB regulates the principles regarding distribution of dividends to be followed by the publicly-listed companies, the provisions of articles of association, the company's dividend distribution policies disclosed to public.

b) Reserves on retained earnings

Pursuant to the Turkish Commercial Code, the first order legal reserves are required to be set aside as 5% of the statutory net profit until reaching up to 20% of the company's paid-in capital. Pursuant to the Turkish Commercial Code, legal reserves can only be used for transactions aimed at offsetting losses or ensuring the entity's ability to continue as a going concern, unless they exceed 50% of the paid-in capital. Furthermore, in order to benefit from real estate and participating interests sales gains exemption, 75% of such gains must be held in a passive fund account (special reserves) and not withdrawn for 5 years. The details of the reserves on retained earnings mentioned above are as follows:

	December 31, 2014	December 31, 2013
Legal reserves on retained earnings	**10,504,898**	3,954,095
	10,504,898	3,954,095

c) Accumulated profits/(losses)

Equity items in the financial statements of the Group are as follows:

	December 31, 2014	December 31, 2013
~~Legal reserves~~	~~**10,504,898**~~	~~3,954,095~~
Accumulated profits	**25,958,225**	-
Net income for the period	**22,716,156**	62,063,333
	59,179,279	66,017,428

(Amounts are expressed in Turkish lira (TL) unless otherwise

19. Sales and cost of sales

a) Statement of sales and cost of sales

Sales:	**2014**	2013
Domestic sales	**425,751,915**	440,471,992
Foreign sales	**14,038,234**	5,111,287
Sales returns and allowances	**(3,635,852)**	(497,786)
Total sales, net	**436,154,297**	445,085,493

Cost of sales:	**2014**	2013
Expenses for raw materials and supplies	**330,434,301**	314,814,102
General production expenses	**20,645,209**	15,999.664
Depreciation and amortization charges	**9,521,553**	6,684,333
Personnel expenses	**9,141,923**	7,533,619
Changes in work-in-process inventories	**(489,280)**	2,109,251
Changes in finished goods inventories	**(5,025,590)**	(5,495,994)
	364,228,116	341,644,975
Cost of trade goods sold	**10,636,742**	7,154,122
	10,636,742	7,154,122
Total cost of sales (-)	**374,864,858**	348,799,097
Gross profit	**61,289,439**	96,286,396

b) Distribution of sales by product groups (net)

	January 1 - December 31, 2014	January 1 - December 31, 2013
Tractor sales	**421,907,075**	433,795,619
Spare part sales	**3,909,820**	2,918,361
Engine sales	**10,337,402**	8,371,513
Total sales	**436,154,297**	445,085,493

(Amounts are expressed in Turkish lira (TL) unless otherwise

20. Operating Expenses

	January 1 - December 31, 2014	January 1 - December 31, 2013
Research and development expenses	**32,255**	1,964,326
Marketing, sales and distribution expenses	**21,535,058**	16,122,779
General administrative expenses	**6,028,953**	5,156,490
	27,596,266	23,243,595

a) Research and development expenses

	2014	2013
Personnel expenses	**-**	17,318
Furniture and fixtures and depreciation expenses	**32,255**	23,698
Outsourced benefits and services	**-**	507,855
Project and study expenses (*)	**-**	1,224,099
Raw materials and supplies	**-**	191,356
	32,255	1,964,326

(*) The Group's costs of projects completed and maintained in 2014 were capitalised at year-end (Note 11).

b) Marketing, sales and distribution expenses

	2014	2013
Provision for warranty expenses	**7,761,395**	4,984,062
Sales transportation expenses	**3,609,385**	3,433,276
Personnel expenses	**2,908,869**	2,653,916
Promotion expenses	**3,919,814**	1,513,344
Advertising and announcement expenses	**868,522**	736,053
Fair and exhibition expenses	**640,144**	560,437
Accommodation expenses	**460,036**	533,229
Fuel expenses	**237,973**	203,834
Premium and commission expenses	**495,898**	277,290
Representation and entertainment expenses	**397,259**	270,086
Mobile service meal and accommodation expenses	**40,735**	51,299
Other	**195,028**	905,953
	21,535,058	16,122,779

(Amounts are expressed in Turkish lira (TL) unless otherwise

20. Operating Expenses (continued)

General Administrative Expenses

	2014	2013
Personnel expenses	**2,581,758**	2,590,525
Financial and legal consulting expenses	**902,280**	698,224
Depreciation and amortization expenses	**216,163**	364,562
Data processing materials expenses	**600,960**	306,833
Real estate rental expenses (rental expenses)	**376,823**	389,013
Litigation, enforcement and proceeding expenses	**92,432**	30,157
Travel and accommodation expenses	**296,227**	124,224
Letter of guarantee commissions	**269,758**	110,005
Subscription expenses	**167,478**	167,931
Stationery expenses	**42,932**	40,136
Fuel expenses	**52,735**	59,880
Telephone expenses	**76,253**	117,590
Electricity expenses	**39,215**	29,945
Internet expenses	**4,851**	13,012
Vehicle rental expenses	**10,738**	3,986
Other	**298,350**	110,467
	6,028,953	5,156,490

21. Expenses by nature

The breakdown of depreciation, amortisation and depletion expenses is as follows:

a) Depreciation and amortisation expenses

	2014	2014
Cost of sales	**9,521,553**	6,684,333
General administrative expenses	**216,163**	364,562
Research and development expenses	**32,255**	23,698
	9,769,971	7,072,593

b) Employee benefits

	2014	2013
Wages and salaries	**12,337,592**	10,068,430
Social security costs	**1,981,549**	1,977,397
Expenses for employee benefits	**313,409**	589,169
	14,632,550	12,634,996

(Amounts are expressed in Turkish lira (TL) unless otherwise

22. Other real operating income and expenses

a) Other real operating income

	2014	2013
Revenues from sales of scraps and raw materials	**672,058**	665,884
Rental income	**478,082**	659,991
Income from exchange-rate differences related to trade receivables/payables	**100,290**	975,429
Other Income	**942,957**	935,706
	2,193,387	3,237,010

b) Other real operating expenses

	2014	2013
Expenses from exchange-rate differences related to trade receivables/payables	**831,677**	1,884,601
Provision for doubtful receivables (Note 9)	**406,372**	247,373
Donations and grants	**323,220**	185,414
Non-collectible VAT receivable	**2,045,240**	-
Other expenses	**986,059**	489,013
	4,592,568	2,806,401

23. Financial income

	2014	2013
Income from exchange differences	**-**	1,210,440
Interest income	**2,063,226**	6,673,989
	2,063,226	7,884,429

24. Financial expenses

	2014	2013
Interest expenses (-)	**5,000,326**	4,222,359
Factoring commission expenses (-)	**828,067**	1,235,264
Losses from exchange differences (-)	**338,297**	946,851
	6,166,690	6,404,474

25. Income from investing activities

	2014	2013
Rent income from investment property (-)	**637,467**	759,777
	637,467	759,777

(Amounts are expressed in Turkish lira (TL) unless otherwise

26. Tax assets and liabilities

	2014	2013
Corporate income tax for the current period	**(5,477,985)**	(14,924,493)
Deferred tax (income)/expense	**366,146**	198,437
	(5,111,839)	(14,726,056)

In Turkey, the corporate income tax rate is 20% Corporate income tax rate is applied to the net corporation profit calculated by adding non-deductable expenses to the corporation's commercial earnings and deducting exemptions and discounts in tax laws.

Transfer pricing is regulated by Article 13 entitled "Disguised Profit Distribution Through Transfer Pricing" of the Corporate Income Tax Law, and detailed explanations on the subject are given in "General Communiqué on Disguised Profit Distribution Through Transfer Pricing".

Pursuant to the said arrangements, if goods or services are purchased or sold with related parties at prices that do not comply with the arm's length principle, the related profit is considered to have been distributed in a disguised manner through transfer pricing, and such profit distributions are not accepted as tax deductible for corporate income tax purposes.

According to the Corporate Income Tax Law, financial losses shown on the statement may be deducted from the corporate tax base for a period not exceeding 5 years. Statements and related accounting records can be reviewed by the tax office within five years, including transfer pricing from transactions with related parties, and tax calculations can be revised.

The Company calculates deferred tax assets and liabilities taking into account the effects of temporary differences arising as a result of different assessments of the balance sheet items between the financial statements prepared in accordance with the CMB Financial Reporting Standards and the statutory financial statements. Such temporary differences usually result from the recognition of income and expenses in different reporting periods according to CMB Financial Reporting Standards and Tax Laws.

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

26. Tax assets and liabilities (contd)

Deferred tax assets and liabilities

As of December 31, 2014 and December 31, 2013, the breakdown of the deferred tax liability calculated over temporary differences subject to deferred tax by using the prevailing tax rates is summarised below:

	Taxable temporary differences		Deferred tax assets/(liabilities)		Income statement and other comprehensive income	
	December 31, 2014:	December 31, 2013	December 31, 2014	December 31, 2013	December 31, 2014	December 31, 2013
Tangible and intangible fixed assets	**10,932,135**	9,940,519	**(2,186,427)**	(1,988,104)	**(198,323)**	(1,009,947)
Provision for severance payments	**(2,640,128)**	(2,039,725)	**528,026**	407,945	**120,081**	91,357
Provision for vacation	**579,343**	(518,366)	**115,869**	103,673	**12,196**	26,477
Provision for inventories	**(1,882,053)**	(826,681)	**376,411**	165,336	**211,075**	(98,318)
Effect of inventory valuation adjustments	**(4,917,287)**	(2,797,459)	**983,457**	559,492	**423,965**	1,003,782
Provision for doubtful receivables	**(453,730)**	(1,344,570)	**90,746**	268,914	**(178,168)**	(232,058)
Effects of rediscount adjustments	**(1,421,472)**	(850,973)	**284,294**	170,195	**114,099**	77,600
Provision for warranty expenses	**(5,849,823)**	(5,847,546)	**1,169,965**	1,169,509	**456**	346,076
Tangible fixed assets valuation fund	**41,443,305**	41,443,305	**(2,072,165)**	(2,072,165)	**-**	**-**
Provision for lawsuits	**-**	**-**	**-**	**-**	**-**	(57,200)
Other	**(535,655)**	(806,474)	**107,131**	161,295	**(54,164)**	50,668
Deferred tax liabilities, net	**34,095,949**	36,352,030	**(602,694)**	(1,053,910)	**451,216**	198,437

26. Tax assets and liabilities (continued)

For the periods ended December 31, 2014 and 2013, the reconciliation between the tax expense determined by applying the statutory tax rate to pre-tax profit and the total provision for tax in the accompanying statement of comprehensive income is as follows:

	December 31, 2014	December 31, 2013
Profit before tax	**27,827,995**	75,713,143
Applicable corporate income tax rate is 20%	**(5,646,874)**	(15,357,878)
Effect of non-deductible expenses	**(584,808)**	(226,612)
Tax effect of R&D deductions	**1,332,669**	-
Other	**(212,826)**	(189,961)
Tax expense	**(5,111,839)**	(14,726,056)

27. Earnings per share (TL)

Earnings per share is calculated by dividing the net income for the period by the weighted average number of shares in issue during the period. In Turkey, companies are entitled to increase their capital through the distribution of bonus shares to be covered from the revaluation surplus fund or accumulated profits. In the calculation of earnings per share, such increases are accepted as bonus issue. Dividend distributions added to capital are also considered in the same way. Therefore, when calculating the average number of shares, it is considered that such shares are in issue during the year. Thus, the weighted average number of the shares used to calculate the earnings per share has been determined taking into account retrospective effects.

	December 31, 2014	December 31, 2013
The weighted average number of shares outstanding during the year (each 1 TL)	**115,000,000**	115,000,000
Net income for the period	**22,716,156**	62,063,333
Earnings per share (TL)	**0.1975**	0.5397

28. Related party disclosures

The Group conducts various transactions with related parties during its operations. The details of outstanding balances with related parties are as follows:

(a) Receivables/payables concerning related parties:

December 31, 2014						
				Receivables		**Payables**
		Short term		**Long term**		**Short term**
Balances with related parties	**Trade**	**non-trade**	**Trade**	**non-trade**	**Trade**	**non-trade**
Shareholders						
Ereğli Textile Tourism Industry Trade Inc. (1)	-	6,779,238	-	-	-	-
Other companies managed by the main shareholder						
Albil Central Services and Trade Inc. (2)	-	-	-	-	71,865	-
Albayrak Tourism Travel Construction Trade Inc. (2)	-	3,474,463	-	-	75,727	-
Kademe Waste Technologies Industry Inc. (2)	67,292	223,879	-	-	-	-
Platform Tourism Trade Inc. (2)	-	-	-	-	8,816	-
Birlikte Distribution Inc. (2)	-	-	-	-	1,525	-
Reklam Piri Media Communication Inc. (2)	-	-	-	-	14,750	-
	67,292	10,477,580	-	-	172,683	-

December 31, 2013						
				Receivables		**Payables**
		Short term		**Long term**		**Short term**
Balances with related parties	**Trade**	**non-trade**	**Trade**	**non-trade**	**Trade**	**non-trade**
Shareholders						
Ereğli Textile Tourism Industry Trade Inc. (1)	-	131,435	-	6,055,718	-	-
Other companies managed by the main shareholder						
Albil Central Services and Trade Inc. (2)	-	-	-	-	75,823	-
Albayrak Tourism Travel Construction Trade Inc. (2)	-	-	-	-	15,690	-
Yeşil Adamlar Waste Management and Transport Inc. (2)	-	-	-	-	45,500	-
Kademe Waste Technologies Industry Inc. (2)	152,625	-	-	-	2,949	-
	152,625	131,435	-	6,055,718	139,962	-

(1) Shareholder
(2) Companies controlled by the ultimate partner (Albayrak Group)

28. Related party disclosures (continued)

As of December 31, 2014 and December 31, 2013, there is no guarantee obtained from and/or given to related parties.

(b) Transactions made with related parties during the year:

Service and other purchases

	2014	2013
Albil Central Services and Trade Inc. (a)	**1,505,721**	1,122,153
Ağa Mining Industry Trade Ltd. (d)	**-**	122,881
Kademe Waste Technologies Industry Inc. (d)	**412,944**	30,600
Yeşil Adamlar Waste Management and Transport Inc. (d)	**161,977**	38,559
Reklam Piri Media Communication Inc. (b)	**31,200**	24,930
Ereğli Textile Tourism Industry and Trade Inc. (c)	**15,656,373**	-
Birlikte Distribution Inc. (d)	**1,523**	1,055
Platform Tourism Transport Food Construction Cleaning Services Industry and Trade Inc.	**7,484**	-
Albayrak Tourism Travel Construction Trade Inc.	**106,711**	28,241
	17,883,933	1,368,419

(a) The Company receives data processing service from this company.
(b) The Company receives advertising service from this company.
(c) The price paid for the acquisition of the shares of Tümosan Döküm.
(d) Other purchases

Sales and other income

			2014			2013
	Interest	**Rent**	**Other**	Interest	Rent	Other
Albayrak Tourism Travel Construction Trade Inc. (1)	**2,781**	**-**	**-**	4,908,388	-	-
Ereğli Textile Tourism Industry and Trade Inc. (2)	**987,379**	**55,991**	**26,797**	550,193	65,851	-
Güneş Albayrak Tourism Travel Industry and Trade (1)	**-**	**-**	**-**	-	-	-
Albil Central Services and Trade Inc. (1)	**-**	**-**	**-**	-	999,470	-
Kademe Waste Technologies Industry Inc. (1)	**-**	**148,558**	**116,220**	-	144,480	56,575
Albayrak Foundation (1)	**-**	**4,000**	**-**	-	-	-
Platform Tourism Inc. (1)	**-**	**-**	**73**	-	-	-
Yeşil Adamlar Inc. (1)	**-**	**-**	**38,559**	-	-	-
	990,160	**208,549**	**181,649**	5,458,581	1,079,769	56,575

(1) Albayrak Group controls the company.
(2) Main shareholder

28. Related party disclosures (continued)

Dividends paid to related parties

	January 1 - December 31, 2014	January 1 - December 31, 2013
Ereğli Textile Tourism Industry and Trade Inc.	**11,592,824**	20,087,105
Muzaffer Albayrak	**300,000**	465,200
Ahmet Albayrak	**300,000**	465,200
Bayram Albayrak	**300,000**	465,200
Nuri Albayrak	**300,000**	465,200
Kazım Albayrak	**300,000**	465,200
Mustafa Albayrak	**300,000**	465,200
Hedef Venture Capital Investment Trust Inc.	**225,000**	465,200
CSD	**3,632,176**	3,405,495
	17,250,000	26,749,000

Benefits provided to the top management

As of December 31, 2014, the total amount of benefits and advantages provided to the top management is TL 970,388 (December 31, 2013 - TL 777,320).

29. Financial risk management and policies

The Group's major financial instruments consist of bank loans, finance lease liabilities, factoring liabilities, cash and short-term deposits. The main purpose of the financial instruments is to finance the activities of the Group. The Group also has financial instruments such as trade receivables and payables which arise as a result of its activities. The main risks which the Group's financial instruments generate are interest rate risk, foreign currency risk, credit risk and liquidity risk. The management's policies regarding the management of these risks are summarized below. The Group also takes into account the market-value risk of all its financial instruments.

Capital management

The Group aims to increase its profitability in capital management by trying to maintain the continuity of its activities on the one hand and using the debt and equity balance in the most efficient way on the other hand. The Group's capital structure consists of payables, cash and cash equivalents and equity items, which comprise issued capital, capital reserves and profit reserves, as disclosed in Note 18. The Group's top management assesses the capital cost of the Group and the risk inherent in each capital class. Based on the assessments of the top management and of the Board of Management, the Group intends to keep the capital structure stable by acquiring new debt or repaying existing debt. The Group monitors the capital using the debt/equity ratio. This ratio is calculated by dividing net debt by total equity. Net debt is calculated by deducting cash and cash equivalents from total debt (which comprises financial payables, trade and other payables and other short- and long-term liabilities as shown in the balance sheet).

29. Financial risk management and policies (continued)

	December 31, 2014	December 31, 2013
Total debt	**88,854,737**	56,558,359
Less: Cash and cash equivalents	**(1,229,935)**	(5,376,059)
Net debt	**87,624,802**	51,182,300
Total equity	**226,512,292**	242,037,213
Debt equity balance	**138,887,490**	190,854,913
Net financial liability/equity ratio	**39%**	21%

Interest rate risk

As of December 31, 2014 and December 31, 2013, the Group does not carry any interest rate risk since it has no variable interest rate loans.

Foreign currency risk

The Group is exposed principally to currency risk in respect of the euro and US dollar and this currency risk arises in general from trade receivables, trade payables and financial payables in the euro and US dollar. In order to minimise this risk, the Group monitors its financial position, cash inflows/outflows with detailed cash-flow statements.

The Group's net foreign-exchange position as of December 31, 2014 and December 31, 2013 is as follows:

On a total basis	**December 31, 2014**	December 31, 2013
A. Assets in foreign currency	**2,308,843**	6,159,101
B. Liabilities in foreign currency	**(7,444,259)**	(15,105,032)
Net foreign-exchange position (A + B)	**(5,135,416)**	(8,945,931)

29. Financial risk management and policies (continued)

The details of the Group's foreign-currency position as of December 31, 2014 and December 31, 2013 are as follows:

									December 31, 2014
	US dollar	TL Equivalent	Euro	TL Equivalent	GBP	TL Equivalent	CHF	TL Equivalent	Total TL equivalent
Cash and cash equivalents	48	111	2,896	8,168	-	-	-	-	8,279
Trade receivables	260,844	604,872	587,718	1,657,775	-	-	-	-	2,262,647
Other current assets	-	-	1,000	2,821	-	-	15,000	35,096	37,916
Current assets	260,892	604,983	591,613	1,668,764	-	-	15,000	35,096	2,308,843
Total assets	260,892	604,983	591,613	1,668,764	-	-	15,000	35,096	2,308,843
Trade payables	(33,048)	(76,636)	(2,597,141)	(7,325,755)	-	-	-	-	(7,402,391)
Short-term financial payables	(18,055)	(41,868)	-	-	-	-	-	-	(41,868)
Short-term liabilities	(51,103)	(118,504)	(2,597,141)	(7,325,755)	-	-	-	-	(7,444,259)
Total liabilities	(51,103)	(118,504)	(2,597,141)	(7,325,755)	-	-	-	-	(7,444,259)
Net foreign-currency position	209,789	486,479	(2,005,528)	(5,656,991)	-	-	15,000	35,096	(5,135,416)

29. Financial risk management and policies (continued)

									December 31, 2013
	US dollar	TL Equivalent	Euro	TL Equivalent	GBP	TL Equivalent	CHF	TL Equivalent	Total TL equivalent
Cash and cash equivalents	17,040	36,369	970,900	2,851,048	-	-	-	-	2,887,417
Trade receivables	228,484	487,654	259,520	762,080	-	-	-	-	1,249,734
Prepaid expenses	282,682	603,329	406,365	1,193,292	53,962	189,480	15,000	35,849	2,021,950
Current assets	528,206	1,127,352	1,636,785	4,806,420	53,962	189,480	15,000	35,849	6,159,101
Total assets	528,206	1,127,352	1,636,785	4,806,420	53,962	189,480	15,000	35,849	6,159,101
Short-term financial payables and factoring payables	(206,140)	(439,965)	-	-	-	-	-	-	(439,965)
Trade payables	(68,667)	(146,554)	(4,928,326)	(14,472,029)	-	-	-	-	(14,618,583)
Short-term liabilities	(274,807)	(586,519)	(4,928,326)	(14,472,029)	-	-	-	-	(15,058,548)
Long-term financial payables	(19,450)	(46,484)	-	-	-	-	-	-	(46,484)
Long-term liabilities	(19,450)	(46,484)	-	-	-	-	-	-	(46,484)
Total liabilities	(294,257)	(633,003)	(4,928,326)	(14,472,029)	-	-	-	-	(15,105,032)
Net foreign-currency position	233,949	494,349	(3,291,541)	(9,665,609)	53,962	189,480	15,000	35,849	(8,945,931)

29. Financial risk management and policies (continued)

In the profit/loss segment of the foreign currency sensitivity statement, it is presented how the statement of comprehensive income will be affected if the TL gains/loses 10% against the following foreign currencies as of December 31, 2014 and December 31, 2013. When analyzing, it is assumed that all other variables, especially the interest rates, remain constant.

The Group's exchange rate sensitivity analysis statement as of December 31, 2014 and December 31, 2013 is as follows:

			December 31, 2014
			Profit/(loss)
		Appreciation of the Foreign Currency	**Depreciation of the Foreign Currency**
	If the US dollar appreciates/depreciates 10% against the Turkish lira		
1-	Income/(loss) arising from US dollar net asset/(liability)	**48,647**	**(48,647)**
2-	Hedged amount from US dollar risk (-)	**-**	**-**
	Net effect of the US dollar	**48,647**	**(48,647)**
	If the euro appreciates/depreciates 10% against the Turkish lira		
3-	Income/(loss) arising from euro net asset/(liability)	**(565,699)**	**565,699**
4-	4- Hedged amount from euro risk (-)	**-**	**-**
	Net effect of the euro	**(565,699)**	**565,699**
	If the Swiss franc appreciates/depreciates 10% against the Turkish lira		
3-	Income/(loss) arising from Swiss franc net asset/(liability)	**3,509**	**3,509**
4-	Hedged amount from Swiss franc risk (-)	**-**	**-**
	Net effect of the Swiss franc	**3,509**	**3,509**
	Total net effect	**(513,543)**	**513,543**

			December 31, 2013
			Profit/(loss)
		Appreciation of the Foreign Currency	Depreciation of the Foreign Currency
	If the US dollar appreciates/depreciates 10% against the Turkish lira		
1-	Income/(loss) arising from US dollar net asset/(liability)	49,435	(49,435)
2-	Hedged amount from US dollar risk (-)	-	-
	Net effect of the US dollar	49,435	(49,435)
	If the euro appreciates/depreciates 10% against the Turkish lira		
3-	Income/(loss) arising from euro net asset/(liability)	(966,561)	966,561
4-	4- Hedged amount from euro risk (-)	-	-
	Net effect of the euro	(966,561)	966,561
	Total net effect	(917,126)	917,126

29. Financial risk management and policies

(contd) *Credit risk*

Credit risk is defined as the risk that the Group could incur a loss as a result of one of the parties of the financial instrument not fulfilling its contractual obligation. The Group seeks to mitigate credit risk by performing transactions only with creditworthy parties and, where possible, by obtaining sufficient guarantees. The credit risks to which the Group is exposed and the credit ratings of its customers are monitored continuously. The credit risk is controlled through the limits set for the customers and reviewed and approved by the Group's management.

Trade receivables include a large number of customers. Credit evaluations are made continuously based on the balances of the customers' trade receivables.

As of December 31, 2014	Receivables					
	Trade receivables		Other receivables			
	Related Party	Third Party	Related party	Other party	Other Current Assets	Deposits in banks
The maximum exposure to credit risk at the reporting date (A+B+C+D+E) (1)	**67,292**	**83,170,858**	**10,477,580**			**1,209,817**
- The portion of maximum risk secured by guarantee, etc. (2)	-	**77,653,000**	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	**67,292**	**72,078,538**	**10,477,580**			**1,209,817**
B. Book value of financial assets that would otherwise be considered past due or impaired whose terms have been renegotiated	**-**	**-**	**-**	**-**	**-**	**-**
C. Net book value of assets that are past due but not impaired		**11,092,321**				
- The portion secured by guarantee, etc.	-	-	-	-	-	-
D. Net book value of impaired assets			**-**			
- Past due (gross book value)	**-**	**47,358**	**-**	**-**	**-**	**-**
- Impairment (-)	**-**	**(47,358)**	**-**	**-**	**-**	**-**
- The portion of net value secured by guarantee, etc.	**-**	**-**	**-**	**-**	**-**	**-**
- Not past due (gross book value)	**-**	**-**	**-**	**-**	**-**	**-**
- Impairment (-)	**-**	**-**	**-**	**-**	**-**	**-**
- The portion of net value secured by guarantee, etc.	**-**	**-**	**-**	**-**	**-**	**-**
E. Off-balance sheet items with credit risk	**-**	**-**	**-**	**-**	**-**	**-**

(1) In determining the amount, the guarantees received, factors that increase the credit reliability are not considered.
(2) Guarantees consist of collateral bonds, guarantee cheques and mortgages received from the customers.

29. Financial risk management and policies (continued)

As of December 31, 2013	Receivables					
	Trade receivables		Other receivables			
	Related party	Other party	Related party	Other party	Other Current Assets	Deposits in banks
The maximum exposure to credit risk at the reporting date (A+B+C+D+E) (1)	**311,079**	**53,792,169**	**6,187,153**	**-**	**-**	**5,376,059**
- The portion of maximum risk secured by guarantee, etc. (2)	-	**53,464,000**	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	**311,079**	**52,849,487**	**6,187,153**			**5,376,059**
B. Book value of financial assets that would otherwise be considered past due or impaired whose terms have been renegotiated	**-**	**-**	**-**	**-**	**-**	**-**
C. Net book value of assets that are past due but not impaired		**942,682**				
- The portion secured by guarantee, etc.	-	-	-	-	-	-
D. Net book value of impaired assets	**-**	**-**	**-**	**-**	**-**	**-**
- Past due (gross book value)	**-**	**2,016,194**	**-**	**-**	**-**	**-**
- Impairment (-)	**-**	**(2,016,194)**	**-**	**-**	**-**	**-**
- The portion of net value secured by guarantee, etc.	**-**	**-**	**-**	**-**	**-**	**-**
- Not past due (gross book value)	**-**	**-**	**-**	**-**	**-**	**-**
- Impairment (-)	**-**	**-**	**-**	**-**	**-**	**-**
- The portion of net value secured by guarantee, etc.	**-**	**-**	**-**	**-**	**-**	**-**
E. Off-balance sheet items with credit risk	**-**	**-**	**-**	**-**	**-**	**-**

(1) In determining the amount, the guarantees received, factors that increase the credit reliability are not considered.
(2) Guarantees consist of collateral bonds, guarantee cheques and mortgages received from the customers.

Liquidity risk

Liquidity risk is the risk that the Group is not able to meet its net funding requirements. Liquidity risk is managed through cash inflows and outflows that are balanced within credit limits that are predetermined with credit institutions.

The breakdown of financial liabilities according to their maturities is shown taking into account the period from balance sheet date to maturity date.

The following statement presents the position of the Group's financial liabilities as of December 31, 2014 and December 31, 2013 according to the maturities of undiscounted contractual payments.

December 31, 2014	**Book value**	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Having no fixed term**	**Total**
Bank loans	**25,656,725**	**12,101,725**	**13,555,000**	**-**	**-**	**25,656,725**
Trade payables	**40,054,157**	**40,054,157**	**-**	**-**	**-**	**40,054,157**
Other short-term liabilities	**1,455,009**	**1,455,009**	**-**	**-**	**-**	**1,455,009**
Total	**67,165,891**	**53,610,891**	**13,555,000**	**-**	**-**	**67,165,891**

December 31, 2013	Book value	Less than 3 months	3 to 12 months	1 to 5 years	Having no fixed term	Total
Bank loans	3,587,790	2,211,498	1,494,046	41,512	-	3,747,056
Trade payables	36,010,114	33,335,361	-	-	-	33,335,361
Other short-term liabilities	373,818	332,586	-	-	-	332,586
Total	39,971,722	35,879,445	1,494,046	41,512	-	37,415,003

30. Financial instruments (Fair value disclosures and disclosures related to hedge accounting)

Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties in an arm's-length transaction, other than a forced sale or liquidation.

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies. However, judgment is used in interpreting market data to estimate fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group could realise in a current market exchange.

The following methods and assumptions were used to estimate the fair value of financial instruments for which fair value could be determined:

Financial assets

It is accepted that the fair value of the foreign-currency-based balances translated with the year-end exchange rates approximates their carrying amounts. Cash and cash equivalents are shown at their fair values. Trade receivables and receivable from related parties are recorded at their discounted values and it is assumed that their fair values approximate their carrying amounts.

Financial liabilities

Trade payables, payables to related parties, financial payables and other monetary liabilities are estimated to approximate their fair values at their discounted carrying amounts and it is accepted that the fair values of the foreign-exchange-based balances translated with the year-end exchange rates approximate their carrying amounts.

31. Events after the balance sheet date

A letter of intent was signed on January 14, 2015 with the company PATENTES TALGO S.L.U. located in Spain on conducting joint project, joint venture and/or transferring technology for the purpose of the production, sale, maintenance and repair of train, high-speed train and railway materials and equipment within the Company.