CARREFOURSA CARREFOUR
SABANCI TİCARET MERKEZİ A.Ş.

CONVENIENCE TRANSLATION INTO
ENGLISH OF CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

(ORIGINALLY ISSUED IN TURKISH)

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.

Report on the Consolidated Financial Statements

1. We have audited the accompanying consolidated financial statements of Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. (the "Company") and its subsidiary (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2016 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Consolidated Financial Statements

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

Independent Auditor's Responsibility

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

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

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

Opinion

4. In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. and its subsidiary as at 31 December 2016 and their financial performance and cash flows for the period then ended in accordance with Turkish Accounting Standards.

Other Responsibilities Arising From Regulatory Requirements

5. In accordance with subparagraph 4 of Article 398 of the Turkish Commercial Code ("TCC") No: 6102; auditor's report on the early risk identification system and committee has been submitted to the Company's Board of Directors on 17 February 2017.

6. In accordance with subparagraph 4 of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2016 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

7. In accordance with subparagraph 4 of Article 402 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

ORIGINALLY SIGNED IN TURKISH

Gökhan Yüksel, SMMM
Partner

Istanbul, 17 February 2017

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

CONTENTS PAGE(S)

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2016 AND 2015

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

	Notes	2016	2015
ASSETS			
Current Assets		**1,039,890,473**	**979,937,922**
Cash and Cash Equivalents	3	274,877,489	274,088,979
Trade Receivables			
Due From Related Parties	5, 28	13,502,779	11,820,418
Other Trade Receivables	5	24,596,252	18,533,809
Other Receivables			
Other Receivables	6	84,971,036	12,536,331
Derivative Financial Assets	7	40,242,872	372,706
Inventories	8	559,601,568	614,047,732
Prepaid Expenses	9	42,098,477	48,537,947
Non-Current Assets		**1,983,364,513**	**2,046,242,984**
Other Receivables			
Other Receivables	6	52,417,311	45,988,705
Investment Properties	10	225,425,744	230,770,949
Property, Plant and Equipment	11	665,519,110	834,685,775
Intangible Assets			
Goodwill	13	774,396,869	773,936,519
Other Intangible Assets	12	75,332,983	86,742,957
Prepaid Expenses	9	17,853,489	3,470,193
Deferred Tax Assets	26	172,419,007	70,647,886
TOTAL ASSETS		**3,023,254,986**	**3,026,180,906**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

CONSOLIDATED BALANCE SHEETS AS AT 31 DECEMBER 2016 AND 2015

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated.)

	Notes	2016	2015
LIABILITIES			
Current Liabilities		**2,124,996,601**	**1,654,981,764**
Financial Liabilities			
Short Term Financial Liabilities from Related Parties	4, 28	69,138,308	179,658,213
Other Short Term Financial Liabilities	4	740,834,609	339,424,636
Short Term Portion of Long Term Financial Liabilities			
Short Term Portion of Long Term Financial Liabilities from Related Parties	4, 28	34,916,359	26,892,288
Other Short Term Portion of Long Term Financial Liabilities	4	51,978,707	37,400,446
Trade Payables			
Due to Related Parties	5, 28	25,206,812	22,801,905
Other Trade Payables	5	1,005,444,420	885,677,636
Employee Benefit Liabilities	16	25,402,105	31,859,493
Other Payables			
Due to Related Parties	6, 28	7,127,364	6,011,302
Other Short Term Payables	6	15,304,792	17,554,671
Short Term Provisions	14		
Provisions for Employment Benefits		7,660,305	9,235,941
Other Short Term Provisions		127,392,926	85,512,525
Other Current Liabilities	17	14,589,894	12,952,708
Non-Current Liabilities		**523,746,018**	**565,468,222**
Long Term Financial Liabilities			
Long Term Financial Liabilities from Related Parties	4, 28	71,159,123	87,997,236
Other Long Term Financial Liabilities	4	404,466,137	429,803,356
Trade Payables			
Other Trade Payables	5	-	215,959
Long Term Provisions			
Provisions for Employment Termination Benefits	14	48,120,758	47,451,671
EQUITY		**374,512,367**	**805,730,920**
Shareholders' Equity		**374,512,367**	**805,730,920**
Share Capital	18	700,000,000	113,839,303
Inflation Adjustment to Share Capital	18	91,845,783	678,006,480
Share Issue Premium		34,691,309	34,691,309
Other Comprehansive Income/ Expense			
Not to be Reclassified to Profit or Loss	18	(488,774)	(1,437,518)
Restricted Reserves	18	12,318,358	12,318,358
Retained Earnings	18	(31,687,012)	-
Net Loss for the Period		(432,167,297)	(31,687,012)
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**3,023,254,986**	**3,026,180,906**

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

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

	Notes	2016	2015
CONTINUING OPERATIONS			
Revenue	19	4,492,266,037	3,932,513,778
Cost of Sales (-)	19	(3,487,496,763)	(2,924,607,305)
GROSS PROFIT		**1,004,769,274**	**1,007,906,473**
Marketing Expenses (-)	20	(1,062,982,081)	(888,448,082)
General Administrative Expenses (-)	20	(121,486,478)	(134,473,298)
Other Income From Main Operations	22	86,663,483	32,778,560
Other Expenses From Main Operations (-)	22	(353,195,113)	(105,845,671)
OPERATING LOSS FROM MAIN OPERATIONS		**(446,230,915)**	**(88,082,018)**
Income From Investment Activities	23	60,156,642	135,960,326
OPERATING (LOSS) / PROFIT		**(386,074,273)**	**47,878,308**
Financial Expenses (-)	25	(147,986,242)	(79,238,221)
LOSS BEFORE TAX		**(534,060,515)**	**(31,359,913)**
Tax Income / (Expense)		**101,893,218**	**(327,099)**
- Taxes on Income	26	-	(212,890)
- Deferred Tax Income / (Expense)	26	101,893,218	(114,209)
NET LOSS FOR THE YEAR		**(432,167,297)**	**(31,687,012)**
OTHER COMPREHENSIVE LOSS			
Items not to be Reclassified Under Profit or Loss, After Tax		**948,744**	**(4,320,041)**
Actuarial gain / (loss)	14	948,744	(4,320,041)
TOTAL COMPREHENSIVE LOSS		**(431,218,553)**	**(36,007,053)**
Loss Per Share	27	(0.6174)	(0.0453)

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

	Share Capital	Inflation Adjustment to Share Capital	Share Issue Premium	Actuarial Gain / (Loss)	Restricted Reserves	Retained Earnings	Net Loss for the Period	Total
Balance at 1 January 2015	**113,421,625**	**678,006,480**	**34,691,309**	**2,882,523**	**6,273,158**	**(28,898,470)**	**100,501,369**	**906,877,994**
Transfers	-	-	-	-	34,282,446	66,218,923	(100,501,369)	-
Business Combination Effect	417,678	-	-	-	-	-	-	417,678
Dividend Payment	-	-	-	-	-	(65,557,699)	-	(65,557,699)
Total Comprehensive Loss	-	-	-	(4,320,041)	-	-	(31,687,012)	(36,007,053)
Balances at 31 December 2015 (previously reported)	**113,839,303**	**678,006,480**	**34,691,309**	**(1,437,518)**	**40,555,604**	**(28,237,246)**	**(31,687,012)**	**805,730,920**
Classification from Special Funds (Note 2.3)	-	-	-	-	(28,237,246)	28,237,246	-	-
Balances at 31 December 2015 (revised)	**113,839,303**	**678,006,480**	**34,691,309**	**(1,437,518)**	**12,318,358**	**-**	**(31,687,012)**	**805,730,920**
Balance at 1 January 2016	**113,839,303**	**678,006,480**	**34,691,309**	**(1,437,518)**	**12,318,358**	**-**	**(31,687,012)**	**805,730,920**
Transfers	586,160,697	(586,160,697)	-	-	-	(31,687,012)	31,687,012	-
Total Comprehensive Loss	-	-	-	948,744	-	-	(432,167,297)	(431,218,553)
Balances at 31 December 2016	**700,000,000**	**91,845,783**	**34,691,309**	**(488,774)**	**12,318,358**	**(31,687,012)**	**(432,167,297)**	**374,512,367**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

CARREFOURSA CARREFOUR SABANCI TİCARET MERKEZİ A.Ş.

CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED 31 DECEMBER 2016 AND 2015

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

CASH FLOWS FROM OPERATING ACTIVITIES	**Notes**	**1 January- 31 December 2016**	**1 January- 31 December 2015**
Net loss for the period		**(432,167,297)**	**(31,687,012)**
Adjustments to reconcile net loss for the period		**219,729,687**	**21,608,345**
- Depreciation of investment properties	10	5,860,339	5,950,742
- Depreciation of property, plant and equipment	11	86,597,423	70,720,683
- Amortization of intangible assets	12	22,432,454	14,797,253
- Gain on sale of tangible assets, intangible assets and investment properties	23	(60,156,642)	(135,960,326)
- Risk, lawsuit, personnel, SSI and other provisions	14	41,880,401	(5,410,481)
- Interest accruals	4	57,026,917	39,569,465
- Impairment provision	22	74,143,765	17,807,812
- Change in unused vacation provision and short-term employment termination benefit	14	422,852	7,822,589
- Provision for employment termination benefit	14	41,595,779	26,103,026
- Allowance for doubtful receivables	5	7,662,882	3,705,404
- Change in inventory impairment	8	6,510,688	227,711
- Unrealized foreign exchange loss		37,761,135	1,856,665
- Tax (income)/expense	26	(101,893,218)	327,099
- Tax effect of purchased subsidiary	26	(115,088)	(25,909,297)
Changes in working capital:		**108,213,030**	**(8,637,022)**
- Increase in trade receivables, including collection from doubtful receivables		(13,725,325)	(10,282,655)
- Decrease/(increase) in inventories		47,935,476	(172,353,056)
- (Increase) / decrease in due from related parties		(1,682,361)	1,795,038
- (Increase) / decrease in other receivables and current assets		(32,372,647)	4,723,950
- Increase in prepaid expenses		(7,943,826)	(28,531,882)
- Decrease in other short-term payables		(2,249,879)	(11,826,893)
- Increase in other trade payables		119,550,825	179,279,835
- Increase in due to related parties		3,520,969	11,468,411
- (Decrease) / increase in employee benefit liabilities		(6,457,388)	13,600,637
- Increase in other short-term liabilities		1,637,186	3,489,593
Cash used in operating activities		**(104,224,580)**	**(18,715,689)**
- Employee termination benefits paid	14	(41,739,250)	(16,341,252)
Net cash used in operating activities		**(145,963,830)**	**(35,056,941)**

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

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

	Notes	1 January- 31 December 2016	1 January- 31 December 2015
CASH FLOWS FROM INVESTING ACTIVITIES			
- Acquisition of property, plant and equipment	11	(47,362,668)	(352,912,465)
- Acquisition of intangible assets	12	(19,987,846)	(76,102,714)
- Acquisition of investment properties	10	(616,579)	(584,370)
- Change in goodwill due to revision in fair value of acquired subsidiary		(460,350)	-
- Effect of purchased subsidiary		-	(52,775,628)
- Cash paid for purchased subsidiary		-	(492,282,604)
- Proceeds from sale of investment properties, tangible assets and intangible assets		44,665,482	217,604,524
Net cash used in investing activities		**(23,761,961)**	**(757,053,257)**
CASH FLOWS FROM FINANCING ACTIVITIES			
- Proceeds from bank borrowings		801,467,691	947,687,081
- Repayment of borrowings		(606,673,150)	(5,089,444)
- Repayment of finance lease payables		(23,867,721)	(943,641)
- Increase in finance lease payables		-	93,995,561
- Dividend paid		-	(65,557,699)
Net cash generated from financing activities		**170,926,820**	**970,091,858**
Increase in cash and cash equivalents		**1,201,029**	**177,981,660**
Cash and cash equivalents at the beginning of the year		**274,088,979**	**94,702,992**
- The impact of change in foreign currency exchange rate over cash and cash equivalents		(412,519)	1,404,327
Cash and cash equivalents at the end of the year		**274,877,489**	**274,088,979**

In the current year, paid interest is amounting to TRY 122,384,495 and received interest is amounting to TRY 845,947. (2015: paid interest TRY 28,077,726 and received interest TRY 724,935).

1. ORGANISATION AND NATURE OF OPERATIONS

CarrefourSA Carrefour Sabancı Ticaret Merkezi Anonim Şirketi (“The Company”) was established in 1991 to operate in the hypermarket and supermarket sectors in Turkey. The registered address of the Company is Cevizli Mahallesi, Tugay Yolu Caddesi No:67 A, B Blok Maltepe / İstanbul. The number of personnel is 10,545 as of 31 December 2016 (2015: 13,056).

As of 31 December 2016, the Company has 37 hypermarkets and 619 supermarkets (31 December 2015: 39 hypermarkets, 740 supermarkets).

Subsidiary

Adana Gayrimenkul Geliştirme ve İşletme A.Ş. (“Adana Gayrimenkul”), which is 100% owned by the Company, was established at 15 October 2014 and has been started to consolidate by using full consolidation method as of 31 December 2014. The main business of the Subsidiary is contruction of nonresidential buildings. There is no operation of Adana Gayrimenkul except real estate ownership so far.

The other subsidiary, Adanabir Gayrimenkul Geliştirme ve İşletme A.Ş. (“Adanabir Gayrimenkul”), which is 100% owned by the Company, was established at 27 March 2015 and merged with Adana Gayrimenkul which is the another subsidiary of the Company, with its existing assets and liabilities by acquisition and this transaction has been registered by the Registry of Commerce of İstanbul on 19 October 2015.

On 15 May 2015, the Company has signed Share Purchase Agreement with Kiler Holding Anonim Şirketi, Nahit Kiler, Ümit Kiler, Vahit Kiler, Hikmet Kiler, Sevgül Kiler and Denge Reklam San. ve Tic. Ltd. Şti. (“Vendors”), in order to acquire 85% of the shares of Kiler Alışveriş, of which 15% of its shares are publicly traded in Borsa İstanbul A.Ş., with an amount of TRY 429,574,000 (Note 13). The share purchase demand has been approved by Turkish Competition Authority on 30 June 2015, with decision numbered 61813209-120-6544. The Company has taken over the management of Kiler Alışveriş on 8 July 2015 and has paid by cash the agreement amount of TRY 429,574,000 to the vendors on the same day.

As a result of mandatory tender offer between 17 September - 5 October 2015, ownership rate of the Company has increased to 97.27% by paying additional TRY 62,290,926 and has been started to consolidate by using full consolidation method as of 30 September 2015. The Company has decided legal merge with Kiler Alışveriş by acquisition method, with the Board decision at 20 October 2015. The legal merge has been approved by Capital Market Board (“CMB”) on 27 November 2015, with decision numbered 32/1493. The legal merge has been realized by the decision of Extraordinary General Assembly held on 29 December 2015 and registered on 31 December 2015. The Company has intended to grow inorganically in the market with that business combination.

The Company and the Subsidiary referred to as the “Group”.

The Board of Directors has approved the consolidated financial statements and given authorization for the issuance on 17 February 2017. The General Assembly has the authority to amend the financial statements.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of the presentation

Principles for Preparation of Consolidated Financial Statements and Significant Accounting Policies

The accompanying consolidated financial statements are prepared in accordance with the Communiqué Serial II, No:14.1, "Principles of Financial Reporting in Capital Markets" ("the Communiqué") published in the Official Gazette numbered 28676 on 13 June 2013. According to the article 5 of the Communiqué, consolidated financial statements are prepared in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") and its addendum and interpretations ("IFRIC") issued by Public Oversight Accounting and Auditing Standards Authority ("POA").

The consolidated financial statements and its accompanying notes of the Group are presented in compliance with the formats announced by CMB on 7 June 2013, including its mandatory information.

The Company and its subsidiary maintain their accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code (the "TCC"), tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. These consolidated financial statements are based on the statutory records, which are maintained under historical cost conversion, except for financial assets and financial liabilities which are carried at fair value, with the required adjustments and reclassifications reflected for the purpose of fair presentation in accordance with the TAS.

The Group's functional and reporting currency is Turkish Lira ("TRY"). Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities based on foreign currency are translated into the functional currency using the exchange rates prevailing at the balance sheet date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation are recognized in the consolidated statement of income.

2.2 Financial Reporting in Hyperinflationary Economies

With the decision taken on 17 March 2005, the CMB announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their consolidated financial statements in accordance with the financial reporting standards accepted by the CMB ("CMB Financial Reporting Standards"). Accordingly, TAS 29, "Financial Reporting in Hyperinflationary Economies", issued by the POA, has not been applied in the consolidated financial statements for the accounting year commencing 1 January 2005.

2.3 Comparative Information and Restatement of Prior Periods' Financial Statements

In order to allow for the determination of the financial situation and performance trends the Group's consolidated financial statements have been presented comparatively with the previous year. The Group presented consolidated balance sheet as of 31 December 2016 comparatively with the consolidated balance sheet as of 31 December 2015; consolidated comprehensive income statements, consolidated statements of cash flow and statements of change in consolidated shareholders' equity for the year ended 31 December 2016 comparatively with the period ended 31 December 2015. Where necessary, comparative figures have been reclassified to conform to the changes in presentation in the current period.

With respect to the Corporate Tax Law ("CTL") 5th article, the time restriction of the property sale income from Bahçelievler and Bağcılar shopping malls, amounting to TRY 28,237,246, which has to be kept in restricted reserves for 5 years, will be expired as of 1 January 2020 and the related income has been recognized in restricted reserves. However, as the Group has distributed divided in 2015, it has been convicted that the related amount created fictive retained loss and has been classified from restricted reserves to retained losses. Consolidated financial statements as of 31 December 2015 has also been restated.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4 Offsetting

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

2.5 Summary of Significant Accounting Policies

The consolidated financial statements for the year ended 31 December 2016 are prepared according to TAS.

The accounting policies applied in preparation of the accompanying consolidated financial statements are as follows. These accounting policies were applied in a consistent manner unless otherwise settled.

2.5.1 Basis of consolidation

Subsidiaries are all entities over which the Group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group and deconsolidated from the date that control ceases. Inter-group transactions, balances and unrealized gains and losses on transactions between Group companies are eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group’s accounting policies. Financial statements of the Company and its subsidairy subject to consolidation were prepared as of the same date.

2.5.2 Revenue

Revenue is recognized on accrual basis over the amount obtained or the current value of the amount to be obtained when the delivery is realized, the income can be reliably determined and the inflow of the economic benefits related with the transaction to the Group is reasonably assured. Net sales represent the invoiced value of goods less any sales returns and rebates. Sales premiums and rebates from vendors are accounted for on accrual basis in the period of the services of the vendors and deducted from cost of sales. Retail sales are done generally with cash or credit cards.

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

- The Group has transferred to the buyer all the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.
- Rent income – Rental income from investment properties is recognized on a straight-line basis over the term of the relevant lease

The Group operates a loyalty programme where customers accumulate points for purchases made which entitle them to discounts on future purchases. The reward points are recognised as a separately identifiable component of the initial sale transaction, by allocating the fair value of the consideration received between the award points and the other components of the sale such that the reward points are initially recognised as deferred income at their fair value. Revenue from the reward points is recognised when the points are redeemed. Breakage is recognised as reward points are redeemed based upon expected redemption rates.

2.5.3 Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is calculated with weight average method. Borrowing costs are not included in cost. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The Group calculates the impairment of inventory based on the past experience of statistical results of slow-moving inventory.

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5.4 Investment properties

Investment property, which is property (lands and buildings over 2.500 m²) held not to produce goods and service or held for administration purposes, instead held to earn rentals and/or for capital appreciation, is stated at its fair value at the balance sheet date. Investment property is accounted by acquisition cost less accumulated depreciation. Investment properties (except land) are depreciated on a straight-line basis (Note 10) over the related assets' estimated useful lives and the depreciation costs are reflected in the income statement. The estimated useful lives of these assets are 20 to 49 years.

Investment properties are reviewed whether there is any indication for any impairment loss. If the carrying amount of the investment property is higher than the recoverable amount, then the carrying amount is deducted to recoverable amount by providing impairment provision. The recoverable amount is the higher of net cash inflow from the use of the investment property and the net sales price. Investment properties are derecognized in cases of disposal or become unusable and no future economic benefit is determined from its sale. Profit or loss arising from expiration or disposal of the investment property is included in the income statement in the period which they occurred. Properties that are leased under operating leases are not classified as investment properties.

2.5.5 Plant, property and equipment

Property, plant and equipment which are acquired before 1 January 2005 are carried at their restated cost as of 31 December 2004; and property, plant and equipment which are acquired after 31 December 2004 are carried at their acquisition cost less accumulated depreciation and any accumulated impairment losses. Land is not subject to depreciation and carried at its acquisition cost less any accumulated impairment losses. Expenses arising from replacing a part of a property, plant and equipment can only be capitalized with the maintenance costs if they extend the future economic useful life of the asset.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Legal fees are also included to cost. For qualifying assets, borrowing costs may be capitalized. Such properties are classified to the appropriate categories of property, plant and equipment when they are completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when assets are ready for their intended use.

Other expenses are accounted under expense items in consolidated income statement in the period in which they are incurred.

Depreciation is recognized on cost values of fixed assets using the straight-line method according to their useful lives, except for land and construction in progress. The estimated useful life, residual value and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

Based on the average useful lives of property, plant and equipment, the following depreciation rates are determined as stated below:

Buildings	40 years
Land improvements	6-10 years
Machinery and equipment	4-20 years
Other tangible fixed assets	5-10 years

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in net income / (loss) and defined as the difference between the sales price and the carrying amount.

2.5.6 Intangible Assets

Intangible assets acquired

Intangible assets include software and other rights. Intangible assets which are acquired before 1 January 2005 are carried at their restated cost as of 31 December 2004; and intangible assets which are acquired after 31 December 2004 are carried at their acquisition cost less accumulated amortization and any accumulated impairment losses.

Intangible assets are amortized on a straight-line basis over the related assets’ estimated useful lives and the amortization costs are reflected in the income statement. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. The estimated useful lives of these assets are 3 to 5 years.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Mentioned costs are amortized over their estimated useful lives.

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Costs include the software development employee costs and an appropriate portion of relevant overheads. Computer software development costs recognized as assets are amortized over their estimated useful lives. The estimated useful lives of computer softwares are 3 to 5 years.

Goodwill

Goodwill arises on the acquisition of subsidiaries and represents the excess of the consideration transferred over acquired subsidary interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

Goodwill acquired in a business combination is allocated to each of the Cash Generating Units (“CGUs”), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Derecognition of intangible assets

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5.7 Financial Lease Transactions

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

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

2.5.8 Impairment of Assets

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

The Group revises carrying amounts of tangible and intangible assets in order to determine any impairment at each balance sheet date. In case of impairment, recoverable amounts of assets are measured, if available, in order to determine the impaired amount. In cases where the recoverable amount cannot be measured, the Group determines the recoverable amount of the cash-generating unit related to that asset. In case of determining a reasonable and consistent basis of allocation, assets of the Group are distributed to cash-generating units. In cases where it is not possible, assets of the Group are distributed to smallest cash-generating units in order to determine a reasonable and consistent basis of allocation.

Intangible assets that have indefinite economic lives or that are not ready to use are tested for impairment at least once a year on in case any impairment indicator exists. The recoverable amount is the higher of fair value of the asset minus sales costs and value in use. Value in use is the present value of expected cash flows from an asset or cash-generating unit. In order to determine the value in use, the discount rate before tax reflecting asset specific risks that are not considered in the calculation of future estimated cash flows is used.

In cases where the recoverable amount of an asset (or a cash-generating unit) is less than its carrying amount, the book value is decreased to its recoverable amount. The impairment loss is accounted for under profit/loss directly where the related asset is not measured at its revalued amount. In this case, the impairment loss is considered as revaluation loss.

The Group performs impairment test for stores in each reporting period and the difference between cash generating units’ carrying amount and recovarable amount is accounted as impairment expense (Note 11).

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In cases of annulment of the revaluation loss during the following periods, book value of the asset (or cash-generating unit) is increased to coincide with the revised estimated recoverable amount. The increased book value should not exceed the amount if it had not been impaired. Annulment of the revaluation loss is accounted for under profit/loss directly, unless the asset is not presented with a revalued amount. Annulment of impairment of a revalued asset is considered as revaluation gain.

2.5.9 Borrowing Costs

Borrowing costs directly or indirectly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

2.5.10 Financial Instruments

i) Classification

The Group classifies its financial assets in the following categories: loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The group’s loans and receivables comprise trade receivables and cash and cash equivalents in the balance sheet.

ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

iii) Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

For financial assets presented at amortized cost, if the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognized impairment loss is cancelled in income statement, however it could not exceed the amortized cost of the asset at the date impairment cancelled.

For available-for-sale equity instruments, any impairment loss recognized in income statement in prior periods could not be reversed in income statement. The fair value gain arising from impairment loss is accounted for in other comprehensive income and is classified under the heading of revaluation provision related to investments. Impairment loss on available-for-sale debt securities is reversed in income statement in subsequent periods if the increase in the fair value of the investment is attributable to an event occurring after the impairment loss is recognized.

iv) Cash and cash equivalents

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

v) Offsetting financial instruments

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

vi) Derecognition of financial assets

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

vii) Financial liabilities

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

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

viii) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are record with their fair value and evaluate with fair value as of balance sheet date. Change in the fair value is recognized in consolidated income statement. Recognized income or loss includes the paid interest for the financial liabilities. As of the balance sheet date, the Group does not have any financial liabilities at fair value through profit or loss.

ix) Other financial liabilities

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

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

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

x) Derivative financial instruments

The Group enters into transactions with forward derivative instruments in the foreign exchange market. Most of those derivative transactions are considered as effective economic hedges under the Group’s risk management policies; however since they do not qualify for hedge accounting as per IAS 39 (Measurement of Financial Assets), they are treated as derivatives held-for-trading. Derivative financial instruments are initially recognized at fair value on the date which a derivative contract is entered into and subsequently remeasured at fair value. Any gains or losses arising from changes in fair value on derivatives that do not qualify for hedge accounting are recognized in income statement.

Fair values are determined from quoted market prices in active markets as possible, or by discounted cash flows and option pricing models that fit in. Derivatives with positive fair value are recognized as assets and derivatives with negative fair value are recognized as liabilities in the balance sheet. As of the balance sheet date, the Group does not have any derivative financial instruments.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5.11 Business Combinations

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement (Note 2.6.1).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the group’s accounting policies.

2.5.12 Foreign Currency Transactions

In the statutory accounts of the Group, transactions in foreign currencies (currencies other than Turkish Lira) are translated into Turkish Lira at the rates of exchange ruling at the transaction dates. Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date. Gains and losses arising on settlement and translation of foreign currency items are included in the statements of income.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5.13 Fair Value Hedge Accounting

The Company is engaged in shopping mall management besides operating in retail sector. The company has long-term foreign currency denominated agreements with leaseholders located shopping mall and contractual receivables denominated in foreign currencies. Risk management strategy of the Group is to use hedging as a instrument for risks arising from changes in foreign exchange rates. Material part of these lease agreements with tenants mentioned above are denominated in US Dollars and Euro and exposed to to foreign exchange risk. In order to prevent foreign exchange risk included in the future cash flows from unbilled receivables arising from US Dollar and Euro lease agreements, the Company provides debt financing with the same currencies. The Company hedges foreign exchange risk arising from revenues of rental service commitments borrowings denominated in foreign currency.

Details of the fair value hedge accounting are as follows:

- Starting date of the hedge accounting: 1 December 2015
- Nature of the hedge accounting: Fair value hedge accounting
- Hedged item: Future cash flows from contracts denominated in EUR and USD
- Hedging instrument: Future cash flows from borrowings denominated in EUR and USD
- Features of the hedged risk: The risk of changes in foreign exchange rates

Fair value changes arising from foreign exchange risk of the hedged item has been recognized as “Derivative financial instruments” (Note 7) as an asset or liability in the consolidated balance sheet and related gains or losses are recognized in the consolidated income statement under financial income and expenses. Besides, in every reporting period within the scope of dynamic hedge accounting, the Group ends the hedge relation of previous month and starts a new hedge relation and relates the remaining fair value difference with revenue in accordance with the remaining maturity of the hedged item.

Hedge Accounting

The Group documents the relationship between hedging instruments and hedged items at the beginning of the hedge transaction and risk management objectives and the strategy for performing a variety of hedging transactions. The Group, also documents the assessment whether instruments used in hedging transactions are effective in balancing changes in values of hedged items, at the beginning of hedging transaction and on a regular basis during the hedging transaction.

2.5.14 Earnings Per Share

Earnings per share is the portion of the net profit or loss that accounts for the common share, which divided by the weighted average unit of common share.

In Turkey, companies, can increase their capitals by the “bonus share” method that they distributed from the prior year profits. This type of “bonus share” distribution, is considered as issued share in the earnings per share calculations. Accordingly, weighted average share amount used in this calculations are computed by considering the prior effects of the distributed shares as well.

2.5.15 Events After Balance Sheet Date

Events after the balance sheet date cover the events which arise between the reporting date and the balance sheet date that have positive or negative effects over the Group. Should any evidence come about events that were prior to the reporting date or should new events come about they will be explained in the relevant footnote.

The Group restates its consolidated financial statements if such subsequent events arise which require to adjust financial statements.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5.16 Provisions, Contingent Liabilities, Contingent Assets

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

2.5.17 Restructuring Provisions

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

2.5.18 Related Parties

A party is related to an entity if:

(a) Directly, or indirectly through one or more intermediaries, the party:

- (i) Controls, is controlled by, or is under common control with, the entity (this includes parents, subsidiaries and fellow subsidiaries);
- (ii) Has an interest in the entity that gives it significant influence over the entity; or
- (iii) Has joint control over the entity;

(b) The party is an associate of the entity;
(c) The party is a joint venture in which the entity is a venture;
(d) The party is a member of the key management personnel of the entity or its parent;
(e) The party is a close member of the family of any individual referred to in (a) or (d);
(f) The party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (d) or (e); or;
(g) The party is a post-employment benefit plan for the benefit of employees of the entity, or of any entity that is a related party of the entity.

2.5.19 Sell and Lease – Back

In accordance with the sell and lease-back agreement signed with Ak Finansal Kiralama A.Ş. on 1 December 2015, the Group sold its machinery and equipment, with net book value of TRY 93,605,595 in its consolidated financial statements, and lease back by a 5-year financial lease agreement. The Group does not recognize any gain or loss arising from this transaction.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5.20 Current and Deferred Income Tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively (Note 26).

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Group calculates deferred tax liability for all taxable temporary differences related to its subsidiaries, if the offset time of taxable temporary differences could be controlled and the offset of taxable temporary differences is probable in a foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.5.21 Employee Benefits/ Retirement Pay Provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per Turkish Accounting Standard 19 (revised) "Employee Benefits" ("TAS 19").

The retirement benefit obligation recognised in the balance sheet represents the net present value of the total due to retirement of all employees. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise.

The liability is not funded, as there is no funding requirement.

The following actuarial assumptions were used in the calculation of the total liability:

	2016	**2015**
Discount rate per annum (%)	3.52	3.27
Probability of retirement (%)	93.72	93.80

The principal assumption is that maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TRY 4,426.16 (1 January 2016: TRY 4,092.53) which is effective from 1 January 2017, has been taken into consideration in calculating the Group's provision for employment termination benefits.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5.22 Statement of Cash Flow

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

Cash flows from operating activities reflect cash flows generated from fast-moving consuming goods sales and rent income from trade centers of the Group.

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

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

2.5.23 Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

2.5.24 Trade Payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities. The Group and its several vendors entered into supplier finance arrangements with several banks. Since the terms of payables are not substantially modified, payables are continued to be recognised as trade payables.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.6 Significant Accounting Estimates and Assumptions

The preparation of consolidated financial statements requires the Group management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary they are reported in earnings in the periods in which they become known.

Significant estimates used in the preparation of these consolidated financial statements and the significant judgments with the most significant effect on amounts recognized in the consolidated financial statements are as follows:

2.6.1 Impairment Test of Goodwill

As mentioned in Note 2.5.6 and Note 2.5.8, goodwill is reviewed for the impairment by the management. The recoverable amount of such cash-generating units is calculated by using carrying amount. The calculation of carrying amount includes discounted cash flow projections in TRY. The related projections are based on the long term plans which are approved by the management. In long-term growth plans, growth rate of 6.5% was taken into consideration. The discount rate as of 31 December 2016, used for the calculation of carrying amount is 13.5% (2015: 15%). That discount rate is after tax discount rate and includes specific risks of the Group (Note 13).

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6.2 Provisions

As mentioned in Note 2.5.16, provisions are recognized when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation. In that scope, as of 31 December 2016 the Group evaluated the current risks and booked related provisions (Note 14).

2.6.3 Deferred Tax Asset

The Group recognizes deferred tax asset and liability on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit. Under current circumstances, the partial or complete recoverable amounts of deferred tax assets are predicted. During the evaluation, future profit projections, current year’s losses, unused losses and the expiration dates of other tax assets, and if necessary tax planning strategies are considered. Based on the data obtained, if the Group’s taxable profit, which will be obtained in the future, is not enough to fulfill the deferred tax assets, a provision is provided either for the whole or for a certain part of the deferred tax asset. As of 31 December 2016 and 2015, after the necessary evaluations, the deferred tax assets are fully accounted because of expectation of taxable profit in the future.

Under the Turkish taxation system, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods. The Group estimates that it will be able to utilize the deductible carry forward tax losses using the estimated profits in the following years.

2.7 New and Revised Turkish Financial Reporting Standards

The Group has implemented new and revised standarts, amendments and interpretations issued by POA, which were effective from 1 January 2016, related with its own activity.

(a) Standards, amendments and interpretations applicable as at 31 December 2016

- TFRS 14 ‘Regulatory deferral accounts’, effective from annual periods beginning on or after 1 January 2016. TFRS 14, ‘Regulatory deferral accounts’ permits first–time adopters to continue to recognise amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt TFRS. However, to enhance comparability with entities that already apply TFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

- Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:

  - TFRS 5, ‘Non-current assets held for sale and discontinued operations’ regarding methods of disposal.
  - TFRS 7, ‘Financial instruments: Disclosures’, (with consequential amendments to TFRS 1) regarding servicing contracts.
  - TAS 19, ‘Employee benefits’ regarding discount rates.
  - TAS 34, ‘Interim financial reporting’ regarding disclosure of information.

- Amendment to TFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Amendments to TAS 16 'Property,plant and equipment', and TAS 41, 'Agriculture', regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of TAS 16, instead of TAS 41. The produce growing on bearer plants will remain within the scope of TAS 41.

- Amendment to TAS 16, 'Property, plant and equipment' and TAS 38, 'Intangible assets', on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

- Amendments to TAS 27, 'Separate financial statements' on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

- Amendment to TFRS 10 'Consolidated financial statements' and TAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

- Amendment to TAS 1, 'Presentation of financial statements' on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improvepresentation and disclosure in financial reports.

(b) Standards, amendments and interpretations issued but not yet effective as of 31 December 2016

- Amendments to TAS 7 'Statement of cash flows' on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

- Amendments TAS 12 'Income Taxes', effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.

- Amendments to TFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in TFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- TFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in TAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

- TFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. TFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

- Amendment to TFRS 15, 'Revenue from contracts with customers', effective from annual periods begining on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

- TFRS 16 'Leases', effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in TAS 17 and is a farreaching change in accounting by lessees in particular. Under TAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). TFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under TFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

- Amendments to TFRS 4, 'Insurance contracts' regarding the implementation of TFRS 9, 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

  - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when TFRS 9 is applied before the new insurance contracts standard is issued; and
  - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying TFRS 9 until 2021. The entities that defer the application of TFRS 9 will continue to apply the existing financial instruments standard TAS 39.

- Amendment to TAS 40, 'Investment property' relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

- Annual improvements 2014–2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 4 standards:

  - TFRS 1, ‘First-time adoption of TFRS’, regarding the deletion of short-term exemptions for first-time adopters regarding TFRS 7, TAS 19, and TFRS 10 effective 1 January 2018.
  - TFRS 12, ‘Disclosure of interests in other entities’ regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
  - TAS 28, ‘Investments in associates and joint ventures’ regarding measuring an associate or joint venture at fair value effective 1 January 2018.
  - IFRIC 22, ‘Foreign currency transactions and advance consideration’, effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

The Group will evaluate the effect of the aforementioned changes within its operations and apply changes starting from effective date.

3. CASH AND CASH EQUIVALENTS

	2016	2015
Cash on hand	26,254,077	22,602,182
Cash in transit (*)	12,695,038	9,047,828
Credit card receivables	219,195,656	189,526,902
Banks		
Time deposit	-	44,715,537
Demand deposit	16,054,678	7,869,824
Other	678,040	326,706
	274,877,489	274,088,979

(*) Cash in transit consists of bank balances that has not been reflected into deposit due to value-date difference.

Related party balances in cash and cash equivalents are stated in Note 28.

As at 31 December 2016 and 2015 time deposits are as follows:

Currency	Interest rate	Maturity	2015
EUR	0.10%	1 January 2016	4,448,640
USD	0.10%	1 January 2016	10,758,120
TRY	10.80%	1 January 2016	29,500,000
		Interest Accrual	8,777
			44,715,537

The Group does not have any blocked deposits as at 31 December 2016 and 2015.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

4. FINANCIAL LIABILITIES

Short Term Financial Liabilities	2016	2015
Short Term Financial Liabilities from Related Parties		
Bank loans (*)	69,138,308	179,658,213
Other Short Term Financial Liabilities		
Bank loans (*)	740,834,609	339,424,636
	809,972,917	519,082,849

Short Term Portion of Long Term Financial Labilities	2016	2015
Short Term Portion of Long Term Financial Labilities from Related Parties		
Bank loans (**)	4,905,363	3,352,474
Finance lease payables	30,010,996	23,539,814
Other Short Term Portion of Long Term Financial Liabilities		
Bank loans (**)	50,822,076	36,431,884
Finance lease payables	1,156,631	968,562
	86,895,066	64,292,734

Long Term Financial Liabilities	2016	2015
Long Term Financial Liabilities from Related Parties		
Bank loans (**)	15,574,066	17,541,078
Finance lease payables	55,585,057	70,456,158
Other Long Term Financial Liabilities		
Bank loans (**)	383,342,597	410,848,261
Finance lease payables	21,123,540	18,955,095
	475,625,260	517,800,592

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

4. FINANCIAL LIABILITIES (Continued)

(*) As at 31 December 2016 and 2015 the details of short term bank loans are as follows:

Currency	Interest Rate	2016
TRY	11.65%	735,350,000
USD	3.50%	17,596,000
	Interest accrual	57,026,917
		809,972,917

Currency	Interest Rate	2015
TRY	12.13%	453,199,604
USD	3.00%	26,313,780
	Interest accrual	39,569,465
		519,082,849

(**) As at 31 December 2016 and 2015 the details of long term bank loans are as follows:

Currency	Interest Rate	2016
TRY	12.75%	300,000,000
USD	4.50%	134,164,674
EUR	3.50%	20,479,428
		454,644,102

Currency	Interest Rate	2015
TRY	12.75%	300,000,000
USD	4.50%	147,280,145
EUR	3.50%	20,893,552
		468,173,697

The Group’s financial borrowing due to related parties are stated in Note 28.

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

4. FINANCIAL LIABILITIES (Continued)

Finance lease payables consist of the followings:

Finance lease payables	Present value of minimum lease payments	
	2016	2015
Within one year	34,606,971	28,093,279
Less : Future finance charges	(3,439,344)	(3,584,903)
Present value of finance lease obligations	31,167,627	24,508,376
Two years and after	82,497,865	97,113,339
Less : Future finance charges	(5,789,268)	(7,702,086)
Present value of finance lease obligations	76,708,597	89,411,253

The Group’s finance lease payables represent the present value of the future payables of the buildings and machinery and equipment that are rented by the third parties thourough their useful lives.

The details of property, plant and equipment acquired by finance lease as of 31 December 2016 and 2015 are disclosed at Note 11.

The repayment schedule of long-term borrowings as of 31 December 2016 and 2015 in TRY equivalent as at balance sheet date is as stated below:

	2016	**2015**
2017	-	67,796,318
2018	375,255,202	362,131,730
2019	42,167,316	36,102,105
2020	40,145,832	36,378,260
2021 and after	18,056,910	15,392,179
	475,625,260	**517,800,592**

As of 31 December 2016 and 2015, there are no guarantees given related to the financial borrowings.

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

5. TRADE RECEIVABLES AND PAYABLES

Trade Receivables	2016	2015
Other trade receivables	34,419,497	27,885,727
Shopping mall receivables	14,593,883	10,065,160
Provision for doubtful trade receivables	(24,417,128)	(19,417,078)
	24,596,252	18,533,809
Due from related parties (Note 28)	13,502,779	11,820,418
	38,099,031	30,354,227

The movement of the allowance for doubtful receivables for the years ended 31 December 2016 and 2015 is as follows:

	2016	2015
Opening balance	19,417,078	16,425,927
Collections / reversals	(2,662,832)	(714,253)
Business combination effect	-	147,987
Charge for the period	7,662,882	3,557,417
Closing balance	24,417,128	19,417,078

Trade receivables due dates vary depending on the sector and company and the average due dates are lower than three months. The Group evaluates the credibility of the receivable and the movement between the creation time of the receivable and reporting date when considering the collectability of its receivables. Due to the Group is working with a large number of clients, credit risk of the Group has been scattered and there is no concentrated credit risk.

The guarantees received for the Group’s trade receivables are as follows:

	2016	2015
Letters of guarantee received for shopping mall receivables	21,173,831	18,370,971
	21,173,831	18,370,971

Short Term Trade Payables	2016	2015
Trade payables	1,005,444,420	885,677,636
Due to related parties (Note 28)	25,206,812	22,801,905
	1,030,651,232	908,479,541

Average payment terms of commoditiy purchase is variying depending on sector and suppliers. Payment terms in grocery sector is less than a month, in other sectors payment term is less than three months.

As of 31 December 2015 the Group’s long term trade payables is amounting to TRY 215,959.

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

6. OTHER RECEIVABLES AND PAYABLES

Other Short Term Receivables	2016	2015
Receivables from personnel	871,836	826,723
VAT receivables	-	6,461,912
Deposits given	-	1,335,487
Other receivables (*)	84,099,200	3,912,209
	84,971,036	12,536,331

(*) As of 31 December 2016, receivable from the sale of a shopping mall amounting to TRY 80,346,116 is included in other receivables.

Other Long Term Receivables	2016	2015
Deposits given	37,458,546	30,632,499
VAT receivables	14,958,765	15,356,206
	52,417,311	45,988,705

Other Short Term Payables	2016	2015
Taxes payables	12,549,798	13,372,148
Advances and deposits received	2,753,003	2,396,117
Other payables	1,991	1,786,406
	15,304,792	17,554,671
Due to related parties (Not 28)	7,127,364	6,011,302
	22,432,156	23,565,973

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

7. DERIVATIVES

Derivative Instruments	2016	2015
Assets:		
Short term commitment - hedging assets	40,242,872	372,706
	40,242,872	372,706

The Group's policy is to prevent all material foreign currency exchange risk related to commitments denominated by Euro and US Dollar.

In accordance with the Group's foreign exchange risk management strategy, foreign currency exchange risks arising from future lease receivables in Euro and US Dollar are hedged with the borrowings in Euro and US Dollar. The type of hedging relationship is fair value hedging.

As of 31 December 2016, TRY 240,831,303 equivalent of USD 62,596,332 (USD 62,355,351 principal and accrued interest of USD 240,981) and EUR 5,537,155 (EUR 5,520,249 principal and accrued interest of EUR 16,906) has been subjected to hedge accounting (31 December 2015: TRY 262,813,572 equivalent of USD 83,180,641 (USD 82.860.417 principle and accrued interest of USD 320,224) and EUR 6,595,399 (EUR 6,575,262 principle and accrued interest of EUR 20,137)).

8. INVENTORIES

	2016	2015
Trade goods	576,390,767	624,326,243
Impairment of inventories	(16,789,199)	(10,278,511)
	559,601,568	614,047,732

The movements of allowance for impairment on inventory for the periods ended 31 December 2016 and 2015 are below:

	2016	2015
Opening balance	10,278,511	10,050,800
Charge of the period	59,316,631	2,591,552
Current year reversal	(52,805,943)	(2,363,841)
Closing balance	16,789,199	10,278,511

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

9. PREPAID EXPENSES

Sort Term Prepaid Expenses	2016	2015
Prepaid expenses	33,425,147	37,933,866
Advances given	8,663,590	10,519,704
Prepaid taxes and dues	9,740	84,377
	42,098,477	48,537,947

Long Term Prepaid Expenses	2016	2015
Prepaid expenses	15,204,313	498,881
Advances given for tangible assets	2,649,176	2,971,312
	17,853,489	3,470,193

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

10. INVESTMENT PROPERTIES

	Land	Buildings	Machinery and Equipment	Other Tangible Assets	Intangible Assets	Construction in Progress	Total
Cost							
Opening balance, 1 January 2016	80,691,369	170,084,111	37,204,921	86,827	3,669,097	-	291,736,325
Additions	-	113,591	502,988	-	-	-	616,579
Disposals	-	(15,100)	(289,645)	(30,314)	-	-	(335,059)
Closing balance, 31 December 2016	80,691,369	170,182,602	37,418,264	56,513	3,669,097	-	292,017,845
Accumulated depreciation							
Opening balance, 1 January 2016	-	(35,631,099)	(21,614,391)	(50,789)	(3,669,097)	-	(60,965,376)
Depreciation charge of the period	-	(3,846,712)	(2,007,026)	(6,601)	-	-	(5,860,339)
Disposals	-	1,177	204,326	28,111	-	-	233,614
Closing balance, 31 December 2016	-	(39,476,634)	(23,417,091)	(29,279)	(3,669,097)	-	(66,592,101)
Net book value, 31 December 2016	**80,691,369**	**130,705,968**	**14,001,173**	**27,234**	**-**	**-**	**225,425,744**

The Group receives rent income amounting to TRY 84,681,706 (2015: TRY 77,208,764) from investment properties. Operating costs related with investment properties including the depreciation charge for the period are amounting to TRY 15,115,856 (2015: TRY 16,065,825). From the depreciation expenses, TRY 9,150,594 (2015: TRY 8,430,330) is included in cost of goods sold, TRY 83,620,107 (2015: TRY 67,281,074) is included in marketing and selling expenses and TRY 22,119,515 is included in general administrative expenses (2015: TRY 15,757,274).

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

10. INVESTMENT PROPERTIES (Continued)

	Land	Buildings	Machinery and Equipment	Other Tangible Assets	Intangible Assets	Construction in Progress	Total
Cost							
Opening balance, 1 January 2015	100,352,340	196,659,400	43,063,923	140,416	3,669,097	1,309,793	345,194,969
Additions	-	408,459	158,661	17,250	-	-	584,370
Transfers	-	-	64,772	-	-	-	64,772
Disposals (*)	(19,660,971)	(26,983,748)	(6,082,435)	(70,839)	-	(1,309,793)	(54,107,786)
Closing balance, 31 December 2015	80,691,369	170,084,111	37,204,921	86,827	3,669,097	-	291,736,325
Accumulated depreciation							
Opening balance, 1 January 2015	-	(43,684,483)	(25,233,271)	(72,017)	(3,669,097)	-	(72,658,868)
Depreciation charge of the period	-	(3,892,236)	(2,050,648)	(7,858)	-	-	(5,950,742)
Disposals	-	11,945,620	5,669,528	29,086	-	-	17,644,234
Closing balance, 31 December 2015	-	(35,631,099)	(21,614,391)	(50,789)	(3,669,097)	-	(60,965,376)
Net book value, 31 December 2015	**80,691,369**	**134,453,012**	**15,590,530**	**36,038**	**-**	**-**	**230,770,949**

(*) The Group sold one shopping mall located in Izmir in 2015.

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

11. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Buildings Purchased by Finance Lease	Machinery and Equipment	Other Tangible Assets	Construction in Progress	Total
Cost							
Opening balance, 1 January 2016	205,473,861	304,072,360	20,512,454	894,588,938	24,921,232	23,552,233	1,473,121,078
Additions	-	1,618,384	-	40,258,981	372,955	5,112,348	47,362,668
Transfers (Note 12)	-	(7,316,500)	-	25,154,864	3,605	(21,241,785)	(3,399,816)
Disposals (*)	(9,789,280)	(11,179,002)	-	(57,434,604)	(1,536,448)	(1,617,998)	(81,557,332)
Closing balance, 31 December 2016	195,684,581	287,195,242	20,512,454	902,568,179	23,761,344	5,804,798	1,435,526,598
Accumulated depreciation							
Opening balance, 1 January 2016	-	(122,377,291)	(6,495,516)	(502,727,538)	(6,834,958)	-	(638,435,303)
Depreciation charge of the period	-	(8,299,624)	(400,441)	(75,164,216)	(2,733,142)	-	(86,597,423)
Impairments (i)	-	(7,132,048)	-	(56,394,958)	(5,964,705)	-	(69,491,711)
Disposals	-	3,686,723	-	20,440,433	389,793	-	24,516,949
Closing balance, 31 December 2016	-	(134,122,240)	(6,895,957)	(613,846,279)	(15,143,012)	-	(770,007,488)
Net book value, 31 December 2016	**195,684,581**	**153,073,002**	**13,616,497**	**288,721,900**	**8,618,332**	**5,804,798**	**665,519,110**

(i) The Group recognized impairment provision for loss making stores amounting to TRY 69,491,711 (2015: TRY 17,456,730). Related impairment charges were recognized in other expenses from main operations.

(*) The group sold one shopping mall located in Istanbul in December 2016. It also includes the disposals belonging to the stores that were closed during the year.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

	Land	Buildings	Buildings Purchased by Finance Lease	Machinery and Equipment	Other Tangible Assets	Construction in Progress	Total
Cost							
Opening balance, 1 January 2015	226,473,540	293,095,964	20,512,454	637,687,857	8,724,627	16,742,278	1,203,236,720
Additions	864,631	24,195,262	-	208,143,782	16,851,765	86,462,556	336,517,996
Transfers (Note 10, 12)	180,415	(175,415)	-	78,527,071	(13,570)	(79,608,209)	(1,089,708)
Acquired with business combination	-	-	-	16,394,469	-	-	16,394,469
Disposals (*)	(22,044,725)	(13,043,451)	-	(46,164,241)	(641,590)	(44,392)	(81,938,399)
Closing balance, 31 December 2015	205,473,861	304,072,360	20,512,454	894,588,938	24,921,232	23,552,233	1,473,121,078
Accumulated depreciation							
Opening balance, 1 January 2015	-	(120,243,703)	(6,095,075)	(464,437,811)	(6,318,876)	-	(597,095,465)
Depreciation charge of the period	-	(6,994,215)	(400,441)	(62,420,831)	(905,196)	-	(70,720,683)
Impairment	-	(1,490,937)	-	(15,796,230)	(169,563)	-	(17,456,730)
Disposals	-	6,351,564	-	39,927,334	558,677	-	46,837,575
Closing balance, 31 December 2015	-	(122,377,291)	(6,495,516)	(502,727,538)	(6,834,958)	-	(638,435,303)
Net book value, 31 December 2015	**205,473,861**	**181,695,069**	**14,016,938**	**391,861,400**	**18,086,274**	**23,552,233**	**834,685,775**

(*) The Group sold one shopping mall located in Izmir in 2015.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

12. INTANGIBLE ASSETS

Other Intangible Assets

Cost	**Total**
Opening balance, 1 January 2016	150,259,084
Additions	19,987,846
Transfers	3,399,816
Disposals	(11,659,800)
Closing balance, 31 December 2016	161,986,946
Accumulated amortization	
Opening balance, 1 January 2016	(63,516,127)
Charge for the period	(22,432,454)
Impairment (i)	(4,652,054)
Disposals	3,946,672
Closing balance, 31 December 2016	(86,653,963)
Net book value, 31 December 2016	**75,332,983**

Cost	**Total**
Opening balance, 1 January 2015	73,312,371
Additions (*)	76,102,714
Transfers	1,024,936
Disposals	(180,937)
Closing balance, 31 December 2015	150,259,084
Accumulated amortization	
Opening balance, 1 January 2015	(48,525,258)
Charge for the period	(14,797,253)
Impairment (i)	(351,082)
Disposals	157,466
Closing balance, 31 December 2015	(63,516,127)
Net book value, 31 December 2015	**86,742,957**

(i) Due to no future cash flow can be created, the Group has recognized impairment provision for intangible assets amounting TRY 4,652,054 (2015: TRY 351,082).

(*) In 2015, the Group has acquired the assets of two supermarket chains, which are operating in different locations in Turkey. The amount of TRY 49,227,937 has been paid to managements of these supermarket chains, which is an excess amount of the worth of assets acquired, is recognized as intangible assets in accordance with TAS 38 "Intangible Assets" and this amount would be amortized over the rent contracts.

The intangible assets are mainly composed of excess cash paid for asset acquisitions and software programs.

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

13. GOODWILL AND BUSINESS COMBINATIONS

Goodwill amount is consisted of following investments:

Investments:	2016	2015
Kiler Alışveriş	545,936,260	545,475,910
Gima	180,159,453	180,159,453
Alpark	48,301,156	48,301,156
	774,396,869	773,936,519

No impairment ocurred in the cash generating units in 2016.

If the after tax discount rate and long term growth rate applied to cash flow forecasts would be 1% higher than the management’s estimates, the Group would recognize impairment loss in consolidated financial statements amounting to TRY 11,577,372.

14. SHORT AND LONG TERM PROVISIONS

Provisions for short term liabilities as of 31 December 2016 and 2015 are as follows:

Short Term Provisions	2016	2015
Provision for other, risk, litigations and onerous contracts	112,359,339	72,127,309
Provision for personnel and social security	1,350,000	1,350,000
Other	13,683,587	12,035,216
	127,392,926	85,512,525

Movements of provision for short term liabilities as of 31 December 2016 and 2015 are as follows:

	Provision for other risks, litigations and onerous contracts	Provision for personnel and social security	Other	Total
Opening balance, 1 January 2016	72,127,309	1,350,000	12,035,216	85,512,525
Charge of the period	65,522,970	-	43,870,162	109,393,132
Current year reversal / charge	(25,290,940)	-	(42,221,791)	(67,512,731)
Closing balance, 31 December 2016	112,359,339	1,350,000	13,683,587	127,392,926

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

14. SHORT AND LONG TERM PROVISIONS (Continued)

	Provision for other risks, litigations and onerous contracts	Provision for personnel and social security	Other	Total
Opening balance, 1 January 2015	82,875,056	6,223,000	1,824,950	90,923,006
Charge of the period	-	-	10,332,514	10,332,514
Current year reversal / charge	(11,449,941)	(4,873,000)	(122,248)	(16,445,189)
Business combination effect	702,194	-	-	702,194
Closing balance, 31 December 2015	72,127,309	1,350,000	12,035,216	85,512,525

Contingent Assets and Liabilities

There are lawsuits which are filed against the Group and continuing as at balance sheet date. Primary lawsuits consist of the cases with Social Security Institution about the premiums of foreign employees, debt, rent and labor cases. At each balance sheet date, the management of the Group evaluates the probable results of those cases and accordingly provisions are provided.

Provisions for employment benefits as of 31 December 2016 and 2015 are as follows:

Short Term Employment Benefits	2016	2015
Unused vacation provision	7,660,305	7,237,453
Employment termination benefit provision	-	1,998,488
	7,660,305	9,235,941

Long Term Employment Benefits	2016	2015
Employment termination benefit provision	48,120,758	47,451,671
	48,120,758	47,451,671

Movement for employment termination benefit provision for 31 December 2016 and 2015 are as follows:

	2016	2015
Opening balance, 1 January	47,451,671	32,289,845
Service cost	42,043,267	18,461,545
Interest cost	1,551,000	1,341,639
Acquired liabilities with business combination	-	6,299,842
Actuarial (gain) / loss	(1,185,930)	5,400,052
Paid compansation during the period (*)	(41,739,250)	(16,341,252)
Closing balance, 31 December	48,120,758	47,451,671

(*) The Group’s management has made compensation payments within the scope of restructuring.

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

15. LETTER OF GUARANTEES, PLEDGES AND MORTGAGES

GPM given by the Group

	2016	2015
A. GPM given on behalf of its own legal entity	77,683,659	66,671,787
B. GPM given on behalf of consolidated subsidiaries	-	-
C. Total amount of GPM given on behalf of other third parties' debt	-	-
D. Other GPM	-	-
i. Total amount of GPM given on behalf of the Parent	-	-
ii. Total amount of GPM given on behalf of other group companies not covered in B and C	-	-
iii. Total amount of GPM given on behalf of third parties not covered in C	-	-
	77,683,659	66,671,787

31 December 2016	Total TRY	TRY	USD (TRY Equivalents)	EUR (TRY Equivalents)
Letter of guarantees	77,683,659	75,424,244	1,920,178	339,237
	77,683,659	75,424,244	1,920,178	339,237

31 December 2015	Total TRY	TRY	USD (TRY Equivalents)	EUR (TRY Equivalents)
Letter of guarantees	66,671,787	65,732,331	651,707	287,749
	66,671,787	65,732,331	651,707	287,749

16. EMPLOYMENT BENEFITS

Employee Benefit Liabilities	2016	2015
Payables to personnel and Social Security Premiums payable	21,297,461	14,180,231
Personnel salary and premium payables	4,104,644	17,679,262
	25,402,105	31,859,493

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

17. OTHER ASSET AND LIABILITIES

Other liabilities as of 31 December 2016 and 2015 are as follows:

Other Current Liabilities	2016	2015
Unearned income	12,775,105	9,621,133
Accrued expenses	1,128,462	1,308,703
Liabilities for shopping cheques	686,327	2,022,872
	14,589,894	12,952,708

18. SHAREHOLDERS’ EQUITY

a) Capital

Shareholder structure as of 31 December 2016 and 2015 is stated below:

Shareholders	(%)	31 December 2016	(%)	31 December 2015
Hacı Ömer Sabancı Holding A.Ş.	50.61	354,239,053	50.74	57,763,045
Carrefour Nederland BV	46.02	322,129,074	46.02	52,387,071
Shares publicly held	2.54	17,827,391	2.41	2,745,218
Other	0.83	5,804,482	0.83	943,969
Nominal share capital	100.00	700,000,000	100.00	113,839,303

The issued capital of the Group is TRY 700,000,000 (2015: TRY 113,839,303) as of 31 December 2016 with a nominal value of TRY 0.01 (1 KR) of 70,000,000,000 shares (2015: 11,383,930,257 shares).

With the resolution of the Company’s General Assembly held on 24 March 2016 and CMB’s approval published on the bulletin dated 10 March 2016 numbered 2016/9, the share capital of the Company increased by issuing bonus shares amounting to TRY 586,160,697. Share capital increse has been registered by Registry of Commerce of İstanbul on 11 April 2016. The related amount has been transferred from inflation adjustment to share capital account. In the same General Assembly, it has been decided to accept registered capital system with CMB's approval numbered 9/273 on 10 March 2016. The registered capital limit would be TRY 1,500,000,000 and registered capital limit permission would be valid between 2016/2020 (5 years).

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

18. SHAREHOLDERS’ EQUITY (Continued)

The inflation adjustment on share capital as of 31 December 2016 and 2015 are as follows:

	2016	2015
Inflation adjustment to share capital	91,845,783	678,006,480
	91,845,783	678,006,480

b) Retained Losses

	2016	2015
Retained losses	(31,687,012)	-
	(31,687,012)	-

Publicly listed companies distribute dividends in accordance with the requirements of CMB as explained below: In accordance with the CMB’s decree issued on 23 January 2014, in relation to the profit distribution of earnings derived from the operations, minimum profit distribution is not required for listed companies, and accordingly, profit distribution should be made based on the requirements set out in the CMB’s Communiqué Serial:II, No: 19.1 “Principles of Dividend Advance Distribution of Companies That Are Subject To The CMB Regulations”, terms of articles of associtionand profit distribution policies publicly disclosed by the companies.

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

The Group amde dividend payments amounting to TRY 65,577,699 in 2015.

The inflation adjustment differences from the valuation studies for TFRS purposes for those as of the balance sheet date that have not been subject to profit distribution or capital increase have been presented under retained earnings.

With respect to the Corporate Tax Law (“CTL”) 5/1-e article, the Group has to keep restricted reserves amounting to TRY 75,501,586 which is related to property sales in 2014 and 2015 and TRY 37,034,036 which is related Kiler acquisition, in its corporate tax base financial statements for 5 years

c) Resticted Reserves

	2016	2015
Legal reserves	12,318,358	12,318,358
	12,318,358	12,318,358

Restricted reserves appropriated from profit are composed of legal reserves. Legal reserves comprise of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. According to the Turkish Commercial Code, legal reserves can be only used to offset losses unless they exceed the 50% of paid-in capital. Other than that, legal reserves must not be used whatsoever.

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

18. SHAREHOLDERS’ EQUITY (Continued)

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

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

However, in accordance with the CMB’s Decree Volume: XI; No: 29 issued on 1 January 2008 and other related CMB’s announcements, “Paid-in capital”, “Restricted reserves” and “Premium in excess of par” should be carried at their registered amounts in statutory records. Restatement differences (e.g. inflation restatement differences) arising from the application of the Decree should be associated with:

- “Capital restatement differences” account, following the “Paid-in capital” line item in the financial statements, if such differences are arising from “Paid-in Capital” and not added to capital;
- “Retained earnings/Accumulated loss”, if such differences are arising from “Restricted reserves” and “Premium in excess of par” and has not been subject to profit distribution or capital increase.

Capital restatement differences can only be included in capital.

d) Other Comprehansive Income / Expense not to be Reclassified to Profit or Loss

	2016	2015
Actuarial (losses) / gains	(488,774)	(1,437,518)
	(488,774)	(1,437,518)

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

19. REVENUE AND COST OF SALES

NET SALES	2016	2015
Revenue from retail operations	4,463,902,480	3,886,961,867
Loyalty program discounts	(22,604,674)	(11,306,090)
Sales returns	(40,785,390)	(33,548,241)
Sales discount	(4,637,783)	(2,018,474)
Rent income	96,391,404	92,424,716
	4,492,266,037	3,932,513,778

COST OF SALES	2016	2015
Opening balance of inventories	(614,047,732)	(441,922,387)
Purchases	(3,401,698,342)	(3,075,560,288)
Change in inventory impairment	(6,510,688)	(227,711)
Closing balance of inventories	559,601,568	614,047,732
Depreciation and amortization expenses	(9,150,594)	(8,430,330)
Shopping mall general expenses	(15,690,975)	(12,514,321)
	(3,487,496,763)	(2,924,607,305)

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

20. SELLING AND MARKETING AND GENERAL ADMINISTRATIVE EXPENSES

Operating expenses for the years ended 31 December 2016 and 2015 are as follows:

OPERATING EXPENSES	2016	2015
Marketing expenses	(1,062,982,081)	(888,448,082)
General administrative expenses	(121,486,478)	(134,473,298)
	(1,184,468,559)	(1,022,921,380)

21. EXPENSES BY NATURE

	2016	2015
Personnel expenses	(500,630,143)	(421,008,937)
Rent expenses	(229,738,730)	(184,491,617)
Depreciation and amortization expenses	(105,739,622)	(83,038,348)
Overhead expenses	(81,061,478)	(72,300,648)
Advertising expenses	(51,481,155)	(54,816,677)
Repair and maintenance expenses	(47,937,286)	(42,695,611)
Outsourced expenses	(39,277,424)	(33,930,595)
Consultancy expenses	(34,530,686)	(31,931,243)
Stationery consumption expenses	(18,050,117)	(23,074,289)
Taxation and other expenses	(9,248,468)	(10,151,607)
Travel expenses	(7,946,693)	(9,026,474)
Insurance expenses	(6,121,839)	(4,407,768)
Decoration material expenses	(2,917,764)	(3,005,699)
Communication expenses	(2,310,516)	(2,820,326)
Other	(47,476,638)	(46,221,541)
	(1,184,468,559)	(1,022,921,380)

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

22. OTHER INCOME AND EXPENSES FROM MAIN OPERATIONS

Other operating income/expenses from main operations for the years ended 31 December 2016 and 2015 are as follows:

Other Operating Income	2016	2015
Foreign exchange gain from operational activities	80,065,724	20,144,050
Provisions no longer required (*)	2,234,603	7,808,506
Interest income from time deposit less than 3 months	845,947	724,935
Other income	3,517,209	4,101,069
	86,663,483	32,778,560

(*) Provision no longer required consists of releases of provisions provided for matters in dispute and risks in previous periods.

Other Operating Expenses (-)	2016	2015
Provision expenses (i)	(105,330,224)	(10,332,514)
Foreign exchange losses from operational activities	(82,625,359)	(16,147,769)
Impairment provision (ii)	(74,143,765)	(17,807,812)
Interest expenses from purchases via credit	(53,432,433)	(41,027,715)
Interest expenses from operational activities	(923,926)	(910,322)
Other expenses and losses	(36,739,406)	(19,619,539)
	(353,195,113)	(105,845,671)

(i) Provision expenses are mainly consists of risk and legal provisions and provisions for stores which would be closed in following periods.

(ii) The Group provided impairment provision amounting to TRY 69,491,711 (2015: TRY 17,456,730) for loss making stores. Moreover the Group has also provided impairment provision amounting to TRY 4,652,054 (2015: TRY 351,082) for intangible assets due to no future cash flow can be created from the mentioned assets.

23. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	2016	2015
Gain on sale of investment property and tangible assets, net	60,156,642	135,960,326
	60,156,642	135,960,326

The group sold one shopping mall located in Istanbul in December 2016.

The amount, related with the period ended 31 December 2015, is mainly the income on sale of one shopping mall located in İzmir.

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

24. FINANCIAL INCOME

None (2015: None).

25. FINANCIAL EXPENSES

Financial expenses for the years ended 31 December 2016 and 2015 are as follows:

Financial expense	2016	2015
Interest expenses	(139,841,947)	(67,647,190)
Credit card commision expenses	(8,144,295)	(11,591,031)
	(147,986,242)	(79,238,221)

26. TAX ASSETS AND LIABILITIES

Tax Expense of the Period	2016	2015
Corporate tax expense of the current period	-	(212,890)
Deferred tax income/(expense)	101,893,218	(114,209)
Tax income/(expense) from continuing operations	101,893,218	(327,099)

Corporate tax:

The Group is subject to taxation in accordance with the tax regulation and the tax legislation effective in Turkey. Required provisions are made in the accompanying consolidated financial statements for the estimated tax charge based on the Group’s results for the current period. In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes, as reflected in the consolidated financial statements, has been calculated on a separate-entity basis.

Corporate tax is applied to the total income, after adjusting for certain disallowable expenses and exempt income.

In 2016, effective tax rate is 20% (2015: 20%).

In Turkey, temporary corporate tax is calculated and realized quarterly. Losses can be carried forward for a maximum period of five years to offset against future taxable income. However, losses cannot be carried back to offset profits from previous periods.

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

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

26. TAX ASSETS AND LIABILITIES (Continued)

Income withholding tax:

In addition to corporate taxes, companies should also calculate income withholding tax surcharge on any dividends distributed, except for resident companies in Turkey which include this dividend income in their taxable profit for the related period and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003.

This rate was changed to 15% with the resolution of Council of Ministers on 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to April 24, 2003. Subsequent to this date, companies can deduct 40% of their investment expenditures from the taxable income, within the scope of the investment incentive certificate and that are directly related to production facilities. The investments without investment incentive certificates do not qualify for tax allowance.

Application of Investment Incentive:

Upon the Constitutional Court’s resolution no: 2009/144 dated 1 August 2010 published in the Official Gazette No: 27659 on 8 January 2010, the Provisional Article No: 69 of Income Tax Law No: 193, which requires the offsetting against the earnings solely for the periods related to 2006, 2007 and 2008 has been annulled based on being contradictory to the Constitution, based on the new resolution, while computing tax base, the investment incentive deduction could not exceed 25% of the taxable income. Again with this amendment, current 20% corporate tax rate decided to be applied on those who benefit from investment incentive, not 30%.

The article of “the amount subject to deduction as exemption of investment allowance in tax basis determination cannot exceed 25% of relevant earnings” which was added to the first clause of 69th temporary article of Income Tax Law, and 5th article of Law No: 6009 has been canceled due to fact that it is against to Law by the decision of the Constitutional Court E. numbered 2010/93 K. 2012/20 and dated as of 9 February 2012. The decision of the Constitutional Court published at the Official Gazette dated 18 February 2012 and numbered 28208.

Current Tax Liability	2016	2015
Current corporate tax provision	-	-
Prepaid taxes and funds	-	-
	-	-

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for TFRS purposes and financial statements prepared in accordance with the tax legislation. These differences arise from the differences in accounting periods for the recognition of income and expenses in accordance with TFRS and tax legislation.

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

26. TAX ASSETS AND LIABILITIES (Continued)

Deferred tax calculation by using the rate of 20%, for the periods ending 31 December 2016 and 2015 is as follows:

The basis for deferred tax timing differences:	2016	2015
Reserve for onerous contract and other contingencies	130,545,113	97,153,431
Provision for impairment in fixed assets	132,324,275	59,506,026
Inventory valuation differences	87,550,087	188,586,971
Other current assets	(11,014,504)	6,212,592
Provision for employment termination benefit	48,120,758	49,450,159
Tangible and intangible fixed assets	(167,710,593)	(139,905,924)
Other short term liabilities	2,634,403	13,760,248
Finance lease payables	23,192,832	20,274,825
Prior year losses	613,656,351	55,217,732
Other	2,796,321	2,983,375
	862,095,043	353,239,435

Deferred tax assets / (liabilities) :	2016	2015
Reserve for onerous contract and other contingencies	26,109,023	19,430,686
Provision for impairment in fixed assets	26,464,855	11,901,205
Inventory valuation differences	17,510,017	37,717,394
Other current assets	(2,202,901)	1,242,518
Provision for employment termination benefit	9,624,152	9,890,032
Tangible and intangible fixed assets	(33,542,119)	(27,981,185)
Other short term liabilities	526,881	2,752,050
Finance lease payables	4,638,566	4,054,965
Prior year losses	122,731,270	11,043,546
Other	559,263	596,675
	172,419,007	70,647,886

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

26. TAX ASSETS AND LIABILITIES (Continued)

Carry forward tax losses

In accordance with the Turkish tax legislation, tax losses can be carried forward to offset against future taxable income for up to 5 years. Tax losses cannot be carried back to offset profits from previous periods. The Group estimates that it will be able to utilize the deductible carry forward tax losses using the estimated profits in the following years. The Group benefited from the tax base increase within the scope of Article 5/1-a and 5/1-c of the Restructuring Law No. 6736 in the year 2016. Within the scope of the Law, half of the accumulated losses that were unused in the previous years related to the periods benefited amounting to TRY 28,517,950 has been removed so as not to be used again.

The expiration dates of such carry forward tax losses are as follows:

	2016	2015
2019	11,238,173	22,221,205
2020	18,011,218	32,996,527
2021	584,406,960	-
	613,656,351	55,217,732

The movements of deferred tax asset and liability as of 31 December 2016 and 2015 are as follows:

Deferred tax asset / (liability) movements:	2016	2015
Openning balance at 1 January	70,647,886	43,772,788
Current year income/(loss)	101,893,218	(114,209)
Acquired deferred tax asset with business combination	115,089	25,909,297
Other comprehensive (loss)/income	(237,186)	1,080,010
Closing balance at 31 December	172,419,007	70,647,886

Tax reconciliation	2016	2015
Loss before tax	(534,060,515)	(31,359,913)
Effective tax rate	20%	20%
Calculated tax	106,812,103	6,271,983
Disallowable expenses	(3,426,303)	(3,888,193)
Exemptions and discounts	5,284,380	9,452,868
Prior period losses not subject to deferred tax calculation	-	3,636,178
Current period losses not subject to deferred tax calculation	-	(15,840,712)
Effect of prior years' losses removed in the scope of tax base increase	(5,703,590)	-
Other	(1,073,372)	40,777
	101,893,218	(327,099)

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

27. LOSS PER SHARE

Weighted average number of shares and basic earnings per share for the years ended 31 December 2016 and 2015 are as follows:

	2016	2015
Opening, number of shares (Note 18)	11,383,930,257	11,342,162,457
Increase with business combination	-	41,767,800
Share addition	58,616,069,743	58,616,069,743
Closing, number of shares (total)	70,000,000,000	70,000,000,000
Weighted average number of shares (Note 18)	70,000,000,000	70,000,000,000
Net loss for the period	(432,167,297)	(31,687,012)
Loss per share (Kr) (*)	(0.6174)	(0.0453)

(*) In accordance with the requirements of TAS 33, as of 31 December 2015, due to the fact that the entire capital increase in 2016 was made from internal sources, the loss per share has been recalculated based on number of current outstanding shares.

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

28. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Cash and cash equivalents (Note 3)	2016	2015
Akbank T.A.Ş.	71,646,013	83,239,665
	71,646,013	83,239,665

Trade receivables from related parties (Note 5)	2016	2015
Carrefour World Trade	11,855,080	9,613,214
Carrefour Romania	925,878	770,736
Akbank T.A.Ş.	272,565	313,141
Carrefour Nederland BV	178,951	-
Teknosa İç ve Dış Ticaret A.Ş.	96,355	167,945
Carrefour Global Sourcing Asia	48,155	651,671
Ak Finansal Kiralama A.Ş.	36,918	-
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	9,700	206,880
Avivasa Emeklilik ve Hayat A.Ş.	-	16,719
Other	79,177	80,112
	13,502,779	11,820,418

Financial Liabilities (Note 4)	2016	2015
Akbank T.A.Ş.	89,617,737	200,551,765
Ak Finansal Kiralama A.Ş.	85,596,053	93,995,972
	175,213,790	294,547,737

As of 31 December 2016, the Group has a debt of TRY 102,132,664 to Akbank T.A.Ş., which is included in third-party trade payables, within the scope of vendor financing (31 December 2015: TRY 57,327,820).

Trade payables to related parties (Note 5)	2016	2015
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	9,352,909	5,275,752
Philip Morris Sabancı Sigara ve Tütüncülük Sanayi ve Tic. A.Ş.	8,656,362	10,991,395
Enerjisa Elektrik Enerjisi Toptan Satış A.Ş.	5,599,019	4,119,880
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	653,950	444,896
Teknosa İç ve Dış Ticaret A.Ş.	421,447	1,604,449
Aksigorta A.Ş.	230,909	47,081
Avivasa Emeklilik ve Hayat A.Ş.	5,949	-
Carrefour Partenariat International	-	39,891
Other	286,267	278,561
	25,206,812	22,801,905

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

28. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Other short term payables to related parties (Note 6)	2016	2015
Hacı Ömer Sabancı Holding A.Ş.	4,371,040	3,750,512
Carrefour Partenariat International	2,756,324	2,260,790
	7,127,364	6,011,302

Purchases from related parties (goods)	2016	2015
Philip Morris Sabancı Sigara ve Tütüncülük Sanayi ve Tic. A.Ş.	165,971,136	107,054,255
Teknosa İç ve Dış Ticaret A.Ş.	1,338,270	-
Brisa Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	663,442	572,541
	167,972,848	107,626,796

Purchases from related parties (services)	2016	2015
Enerjisa Elektrik Enerjisi Toptan Satış A.Ş.	57,234,955	42,932,637
Aksigorta A.Ş.	6,958,152	10,713,153
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	5,896,821	5,913,790
Teknosa İç ve Dış Ticaret A.Ş.	944,928	23,985
Avivasa Emeklilik ve Hayat A.Ş.	-	334,433
Other	861,159	802,010
	71,896,015	60,720,008

Rent income from related parties	2016	2015
Teknosa İç ve Dış Ticaret A.Ş.	4,648,475	5,355,876
Akbank T.A.Ş.	813,054	1,473,527
	5,461,529	6,829,403

Rebates and other income from related parties	2016	2015
Carrefour World Trade	12,462,818	10,840,583
Carrefour Global Sourcing Asia	3,998,378	6,548,323
Philip Morris Sabancı Sigara ve Tütüncülük Sanayi ve Ticaret A.Ş.	3,794,842	2,658,008
Akbank T.A.Ş.	3,516,335	1,175,454
Carrefour Romania	1,674,862	1,802,496
Teknosa İç ve Dış Ticaret A.Ş.	939,761	765,200
Kordsa Global Endüstriyel İplik ve Kord Bezi Sanayi ve Ticaret A.Ş.	520,163	431,665
Temsa Global Sanayi ve Ticaret A.Ş.	386,922	409,047
Socomo SA	364,800	-
Carrefour Nederland BV	345,871	-
Brisa-Bridgestone Sabancı Lastik Sanayi ve Ticaret A.Ş.	318,969	278,690
Avivasa Emeklilik ve Hayat A.Ş.	209,020	194,636
Akçansa Çimento Sanayi ve Ticaret A.Ş.	189,766	223,574
Çimsa Çimento Sanayi ve Ticaret A.Ş.	135,349	242,612
Ak Yatırım Menkul Değerler A.Ş.	121,518	5,209
Aksigorta A.Ş.	48,308	38,400
Carrefour Partenariat International	45,574	541,213
Enerjisa Elektrik Enerjisi Toptan Satış A.Ş.	-	2,799
Other	21,588	32,981
	29,094,844	26,190,890

(Amounts expressed in Turkish Lira ("TRY") unless otherwise stated)

28. TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

Other expenses to related parties	2016	2015
Hacı Ömer Sabancı Holding A.Ş.	15,190,300	11,776,937
Carrefour Partenariat International	9,989,619	9,190,990
Bimsa Uluslararası İş, Bilgi ve Yönetim Sistemleri A.Ş.	111,380	-
Teknosa İç ve Dış Ticaret A.Ş.	14,899	11,592
Other	22,821	425,910
	25,329,019	21,405,429

Interest income from related parties	2016	2015
Akbank T.A.Ş.	671,342	586,452
Interest expense and credit card commission to related parties		
Akbank T.A.Ş.	21,062,081	14,610,182

The total amount of benefits for the key management personnel in the current period is as follows:

	2016	2015
Salaries and other short term benefits	7,121,178	7,965,451
Other long term benefits	282,032	317,369
	7,403,210	8,282,820

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Capital risk management

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

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 4, cash and cash equivalents disclosed in Note 3 and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Note 18.

The Board of Directors of the Group examines the capital structure and indebtedness three times a year. During the examinations the Board, together with cost of capital, evaluates all the risks associated with capital owning-class. Based on the recommendations of the Board, the Group tries to balance the capital structure by acquiring new debt or paying back the current debt.

The Group controls its capital with the liability / total capital ratio. Net liability is divided by total capital in this ratio. Cash and cash equivalents are deducted from total loans (including financial debt and liabilities and finance lease payables as presented in the consolidated balance sheet) to calculate the net liability. The shareholder’s equity is added to net liabilities to calculate the total capital.

Net liability / total capital ratio as of 31 December 2016 and 2015 are as follows:

	2016	2015
Total debt	1,372,493,243	1,101,176,175
Less: Cash and cash equivalents	(274,877,489)	(274,088,979)
Net liabilities	1,097,615,754	827,087,196
Total shareholders' equity	374,512,367	805,730,920
Total capital	374,512,367	805,730,920
Net liabilities / total capital ratio	293.08%	102.65%

The Group’s overall strategy is not changed significantly in the current period.

Financial Risk Factors

The Group’s corporate treasury department, besides providing services for operations, also coordinates access to domestic and international markets, monitors and manages the financial risks relating to the operations of the Group through internal risk reports which analyses exposures by degree and magnitude of risk. These risks include market risk (including currency risk, fair value interest rate risk and price risk) credit risk, liquidity risk and cash flow interest rate risk.

The Group has used some derivative financial instruments in order to reduce its financial risks. Although the Group did not use any derivative financial instruments in the current period, some financial instruments are used in the prior periods. The derivative financial instruments used have been identified by using the Group risk management policies which were approved by the Board of Directors. If the Group needs any derivative financial instruments in the future, appropriate financial instruments will be submitted to the approval of the Board. The policies include both interest rate risks and foreign exchange risks. The Group does not enter into or trade financial instruments for speculative purpose and this kind of trading is forbidden by the Group’s main shareholders.

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Financial Risk Factors (Continued)

The treasury department presents the risk factors and the related risk reducing policies in the monthly reports prepared for the main shareholders and to the Board of Directors in case of their demand.

Credit risk management

Credit risks refer to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. Since the Group is in retail sector, there is not any credit risk arising from sales to customers.

The risk raised from the advances and deposits given in order to make investments by the Group, is under control by taking letter of guarantees from various banks. Based on the Group policy, the Group does not pay any advance or deposits without taking a letter of guarantee from counterparty.

The Group takes cash deposits for minimum 3 months rent amount and / or letter of guarantees from tenants in shopping malls, in order to avoid rent receivable risk.

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Financial Risk Factors (Continued)

Credit Risk of Financial Instruments	**Receivables**				
	Trade Receivables		**Other Receivables**		
31 December 2016	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Bank Deposits**
Maximum net credit risk as of balance sheet date (i)	13,502,779	24,596,252	-	137,388,347	28,749,716
- The part of maximum risk under guarantee with collateral etc. (ii)	-	13,318,190	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	13,502,779	1,359,500	-	137,388,347	28,749,716
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	23,236,752	-	-	-
- The part under guarantee with collateral etc.	-	11,969,836	-	-	-
D. Net book value of impaired assets					
- Past due (gross carrying amount)	-	24,417,128	-	-	-
- Impairment (-)	-	(24,417,128)	-	-	-
- The part of net value under guarantee with collateral etc.	-	1,348,355	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

(i) Guarantees received and factors increasing loan reliability are not considered in determining this amount.
(ii) Guarantees consist of letters of guarantee, notes receivable and cheques obtained from customers.

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Financial Risk Factors (Continued)

Credit Risk of Financial Instruments	**Receivables**				
	Trade Receivables		**Other Receivables**		
31 December 2015	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Bank Deposits**
Maximum net credit risk as of balance sheet date (i)	11,820,418	18,533,809	-	58,525,036	61,633,189
- The part of maximum risk under guarantee with collateral etc. (ii)	-	11,618,414	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	11,820,418	2,537,818	-	58,525,036	61,633,189
B. Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	-	-	-	-	-
C. Carrying value of financial assets that are past due but not impaired	-	15,995,991	-	-	-
- The part under guarantee with collateral etc.	-	7,480,429	-	-	-
D. Net book value of impaired assets					
- Past due (gross carrying amount)	-	19,417,078	-	-	-
- Impairment (-)	-	(19,417,078)	-	-	-
- The part of net value under guarantee with collateral etc.	-	4,137,985	-	-	-
- Not past due (gross carrying amount)	-	-	-	-	-
- Impairment (-)	-	-	-	-	-
- The part of net value under guarantee with collateral etc.	-	-	-	-	-
E. Off-balance sheet items with credit risk	-	-	-	-	-

(i) Guarantees received and factors increasing loan reliability are not considered in determining this amount.
(ii) Guarantees consist of letters of guarantee, notes receivable and cheques obtained from customers.

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Credit Risk Management (Continued)

	Receivables	
2016	**Trade receivables**	**Other receivables**
Past due 1-30 days	6,258,092	-
Past due 1-3 months	5,986,338	-
Past due 3-12 months	4,610,675	-
Past due 1-5 years	30,798,775	-
Past due more than 5 years	-	-
Total past due receivables	47,653,880	-
Amount secured with guarantee	13,318,190	-

	Receivables	
2015	**Trade Receivables**	**Other Receivables**
Past due 1-30 days	7,214,890	-
Past due 1-3 months	4,486,543	-
Past due 3-12 months	5,748,211	-
Past due 1-5 years	17,963,425	-
Past due more than 5 years	-	-
Total past due receivables	35,413,069	-
Amount secured with guarantee	11,618,414	-

The Group believes that they will collect the passed due receivables for which a provision was not booked.

Collaterals held for the trade receivables that are past due but not impaired as of balance sheet date are as follows:

	2016	2015
Letters of guarantee	11,969,836	7,480,429

Collaterals held for the trade receivables that are past due and impaired as of balance sheet date are as follows:

	2016	2015
Letters of guarantee	1,348,355	4,137,985

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring estimated and actual cash flows and matching the maturity profiles of financial assets and liabilities.

Liquidity risk tables

The following table presents the maturity of Company’s non-derivative financial liabilities. The Group’s liabilities are prepared without subjected to discount and based on the shortest payment date.

The Group’s expected due dates and contract due dates and are the same.

31 December 2016

Contractual maturity analysis	**Book value**	**Total cash outflow according to contract (I+II+III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Non-derivative financial liabilities						
Bank loans	1,264,617,019	1,264,617,019	256,458,256	609,242,100	398,916,663	-
Financial lease liabilities	107,876,224	117,104,836	8,563,190	26,043,781	64,288,831	18,209,034
Trade payables	1,030,651,232	1,040,269,318	814,721,477	225,547,841	-	-
Other payables	37,022,050	37,022,050	37,022,050	-	-	-
Total liabilities	2,440,166,525	2,459,013,223	1,116,764,973	860,833,722	463,205,494	18,209,034
Derivative financial liabilities						
Derivative cash inflow	-	-	-	-	-	-
Derivative cash outflow	-	-	-	-	-	-

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk management (Continued)

31 December 2015

Contractual maturity analysis	Book value	Total cash outflow according to contract (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1-5 years (III)	More than 5 years (IV)
Non-derivative financial liabilities						
Bank loans	987,256,546	987,256,546	202,508,936	356,358,271	428,389,339	-
Financial lease liabilities	113,919,629	125,206,618	7,012,569	21,080,710	80,753,849	16,359,490
Trade payables	908,695,500	919,385,473	879,646,401	39,523,113	215,959	-
Other payables	36,518,681	36,518,681	36,518,681	-	-	-
Total liabilities	2,046,390,356	2,068,367,318	1,125,686,587	416,962,094	509,359,147	16,359,490
Derivative financial liabilities						
Derivative cash inflow	-	-	-	-	-	-
Derivative cash outflow	-	-	-	-	-	-

Market risk management

The Group is exposed to foreign exchange risk arising from its operations. The Group's policy is to prevent all material foreign currency exchange risk related to commitments denominated by Euro and US Dollar. The Group hedged its foreign currency denominated receivables with foreign currency denominated borrowings.

Market risk is measured based on sensitivity analysis.

In current year, the Group’s market risk management method or its market risk exposure have not changed compared to prior year.

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk management

Foreign currency denominated transactions create foreign exchange risks. The Group uses derivative financial instruments in order to avoid financial risks occurs from operations, financial agreements and cashflows.

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

	31 December 2016		
	TRY Equivalents (Functional currency)	USD	EUR
1. Trade receivables	16,481,415	809,475	3,674,684
2. Liquid assets	9,237,563	2,291,847	315,937
3. CURRENT ASSETS	25,718,978	3,101,322	3,990,621
4. Other	35,159,142	9,094,603	850,000
5. NON-CURRENT ASSETS	35,159,142	9,094,603	850,000
6. TOTAL ASSETS	60,878,120	12,195,925	4,840,621
7. Trade payables	6,379,548	1,237,721	545,502
8. Other payables	2,756,324	-	742,964
9. Financial liabilities	18,799,334	5,013,271	311,769
10. Non-monetary other liabilities	2,168,182	614,583	1,440
11. CURRENT LIABILITIES	30,103,388	6,865,575	1,601,675
12. Financial liabilities	21,123,952	-	5,693,941
13. NON-CURRENT LIABILITIES	21,123,952	-	5,693,941
14. TOTAL LIABILITIES	51,227,340	6,865,575	7,295,616
15. Net foreign currency liability position	9,650,780	5,330,350	(2,454,995)
16. Net monetary foreign currency asset / liability position	19,339,430	1,863,601	3,445,119
17. Fair value of financial instruments uses for foreign currency hedge	-	-	-
18. Hedged amount of foreign currency denominated assets	-	-	-
19. Import	4,308,279	358,597	821,128

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk management (Continued)

	31 December 2015		
	TRY Equivalents (Functional currency)	**USD**	**EUR**
1. Trade receivables	12,175,578	122,574	3,719,531
2. Liquid assets	16,499,243	3,850,181	1,669,328
3. CURRENT ASSETS	28,674,821	3,972,755	5,388,859
4. Other	29,144,428	9,094,603	850,000
5. NON-CURRENT ASSETS	29,144,428	9,094,603	850,000
6. TOTAL ASSETS	57,819,249	13,067,358	6,238,859
7. Trade payables	16,763,686	2,224,571	3,240,031
8. Other payables	2,260,790	-	711,477
9. Financial liabilities	27,282,342	9,050,000	304,809
10. Non-monetary other liabilities	2,099,950	720,654	1,440
11. CURRENT LIABILITIES	48,406,768	11,995,225	4,257,757
12. Financial liabilities	18,955,506	-	5,965,353
13. NON-CURRENT LIABILITIES	18,955,506	-	5,965,353
14. TOTAL LIABILITIES	67,362,274	11,995,225	10,223,110
15. Net foreign currency liability position	(9,543,025)	1,072,133	(3,984,251)
16. Net monetary foreign currency asset / liability position	11,911,135	1,748,184	2,148,828
17. Fair value of financial instruments uses for foreign currency hedge	-	-	-
18. Hedged amount of foreign currency denominated assets	-	-	-
19. Import	3,560,189	480,727	680,522

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Foreign currency risk management (Continued)

Foreign currency sensitivity

The Group is exposed to foreign exchange risk arising primarily from USD and EUR. The following table demonstrates the sensitivity of the Group to a possible change of 10% in US dollar and EUR rates. 10% is the rate is a reasonable rate as it is limited with 10% share capital commitment. Sensitivity analysis based on the foreign exchange risk at the reporting date, is identified with the changes at the beginning of the fiscal year and kept constant during the fiscal period. Negative value implies the effect of 10% increase in USD and in EUR foreign currency rates against TRY on the decrease in the net profit.

31 December 2016

	Income / Expense		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case of 10% appreciation of USD against TRY				
1 - US Dollar net asset / liability	1,875,857	(1,875,857)	-	-
2- Part of hedged from US Dollar risk (-)	-	-	-	-
3- US Dollar net effect (1 +2)	1,875,857	(1,875,857)	-	-
In case of 10% appreciation of EUR against TRY				
4 - Euro net asset / liability	(910,779)	910,779	-	-
5 - Part of hedged from Euro risk (-)	-	-	-	-
6- Euro net effect (4 +5)	(910,779)	910,779	-	-
TOTAL (3 + 6)	965,078	(965,078)	-	-

31 December 2015

	Income / Expense		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case of 10% appreciation of USD against TRY				
1 - US Dollar net asset / liability	311,733	(311,733)	-	-
2- Part of hedged from US Dollar risk (-)	-	-	-	-
3- US Dollar net effect (1 +2)	311,733	(311,733)	-	-
In case of 10% appreciation of EUR against TRY				
4 - Euro net asset / liability	(1,266,036)	1,266,036	-	-
5 - Part of hedged from Euro risk (-)	-	-	-	-
6- Euro net effect (4 +5)	(1,266,036)	1,266,036	-	-
TOTAL (3 + 6)	(954,303)	954,303	-	-

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

29. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Market risk management

The interest rates that the Group is exposed to, regarding its financial liabilities, are given in detail in Note 4.

Interest rate sensitivity

Sensitivity analysis is determined based on the interest rate risk that the non-derivative instruments exposed to on the balance sheet date and is kept fixed during the reporting period.

If Euribor / Libor interest rates had been 0.5% higher and all other variables were held constant:

Income before tax of the Group would have been decreased by TRY 6,323,085 (Income before tax for the period ending 31 December 2015 would have been decreased by TRY 4,936,283). This is mainly attributable to the Group’s exposure to interest rates on its variable rate borrowings. In case of 0.5% decrease in Euribor interest rate, the net profit of the Group for the current period would have increased by the same amount.

The Group does not have any interest rate swap contract.

The financial instruments that are sensitive to interest rate are as follows:

Interest Position Table

Instruments with Fixed Rates	**31 December 2016**	**31 December 2015**
Financial lease payables	107,876,224	113,919,629
Bank loans	1,264,617,019	987,256,546

Other price risks

The Group does not hold any equity investments as of the reporting date.

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

30. FINANCIAL INSTRUMENTS (FAIR VALUE EXPLANATIONS AND DISCLOSURES WITHIN THE FRAMEWORK OF HEDGE ACCOUNTING)

31 December 2016	**Loans and receivables**	**Fair value through profit / loss**	**Financial liabilities at amortized cost**	**Net book value**	**Note**
Financial assets					
Cash and cash equivalents	274,877,489	-	-	274,877,489	(3)
Trade receivables	24,596,252	-	-	24,596,252	(5)
Due from related parties	13,502,779	-	-	13,502,779	(28)
Other financial assets	137,388,347	-	-	137,388,347	(6)
Financial liabilities					
Borrowings	-	-	1,264,617,019	1,264,617,019	(4)
Financial lease payables	-	-	107,876,224	107,876,224	(4)
Trade payables	-	-	1,005,444,420	1,005,444,420	(5)
Due to related parties	-	-	32,334,176	32,334,176	(28)
Debt provisions	-	-	135,053,231	135,053,231	(14)
Other financial liabilities	-	-	29,894,686	29,894,686	(6)-(17)

31 December 2015	**Loans and receivables**	**Fair value through profit / loss**	**Financial liabilities at amortized cost**	**Net book value**	**Note**
Financial assets					
Cash and cash equivalents	274,088,979	-	-	274,088,979	(3)
Trade receivables	18,533,809	-	-	18,533,809	(5)
Due from related parties	11,820,418	-	-	11,820,418	(28)
Other financial assets	58,525,036	-	-	58,525,036	(6)
Financial liabilities					
Borrowings	-	-	987,256,546	987,256,546	(4)
Financial lease payables	-	-	113,919,629	113,919,629	(4)
Trade payables	-	-	885,893,595	885,893,595	(5)
Due to related parties	-	-	28,813,207	28,813,207	(28)
Debt provisions	-	-	94,748,466	94,748,466	(14)
Other financial liabilities	-	-	30,507,379	30,507,379	(6)-(17)

The Group considers that carrying amounts are reflected their fair values.

(Amounts expressed in Turkish Lira (”TRY”) unless otherwise stated)

31. EVENTS AFTER THE BALANCE SHEET DATE

Receivable from the sale of shopping mall amounting to TRY 80,346,116 as of 31 December 2016, that is included in other receivable, was collected on 30 January 2017.

32. OTHER EVENTS THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED FOR THE CLEAR UNDERSTANDING OF FINANCIAL STATEMENTS

OTHER INFORMATION

As of 31 December 2016 and 2015, EBITDA's reconciliation with earnings before tax which has been presented to senior management of the Group is stated below:

	2016	2015
EBITDA	(7,190,986)	79,915,703
Depreciation expenses	(114,890,216)	(91,468,678)
Financial expenses	(147,986,242)	(79,238,221)
Income / (expenses) from investment activities	60,156,642	135,960,326
Other income and expenses (net)	(266,531,630)	(73,067,111)
One-off expenses (*)	(55,763,066)	-
Provision and payments for employee termination benefits	(1,855,017)	(3,461,932)
Loss before tax	(534,060,515)	(31,359,913)

(*) This expense is related to one-off net realizable value adjustment of the company’s management.

Within the scope of TFRS, EBITDA is not a measurement of operating income, liquidity and operational performance.

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