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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the Board of Directors of
MRH Otel Yatırımları İşletme Sanayi ve Ticaret A.Ş.

We have audited the accompanying balance sheet of MRH Otel Yatırımları İşletme Sanayi ve Ticaret A.Ş. (the "Company") as at 31 December 2016 and the related statements of balance sheet, profit or loss and other comprehensive income, changes in shareholder's equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with disclosures issued by Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") and General Communiqué on Accounting System Application ("GCAS") issued by Ministry of Finance and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Turkish Standards on Auditing issued by POA. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Conclusion

In our opinion, the financial statements give a true and fair view of the financial position of MRH Otel Yatırımları İşletme Sanayi ve Ticaret A.Ş. as of 31 December 2016 and of its financial performance and its cash flows for the year then ended in accordance with General Communiqué on Accounting System Application (Note 2).

Reports on independent auditor responsibilities arising from other regulatory requirements

- a. In accordance with subparagraph 4, Article 402 of the Turkish Commercial Code, there is no material issue that shows the Company's bookkeeping activities for the period January 1 – December 31, 2016 is not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
- b. In accordance with Article 402 of the Turkish Commercial Code Nr. 6102, the Board of Directors submitted to us the necessary explanations and provided required documents within the scope of audit.

DMF SYSTEM INTERNATIONAL
INDEPENDENT AUDITING, CONSULTING &
CERTIFIED PUBLIC ACCOUNTING CO.
member of
RUSSELL BEDFORD INTERNATIONAL

Aslan Kaya, *MSA, CPA*
Partner
Ankara, September 28, 2017

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MRH OTEL YATIRIMLARI İŞLETME SANAYİ VE TİCARET A.Ş.

BALANCE SHEETS

AS AT 31 DECEMBER 2016, AND 2015

(Unless otherwise indicated, the amounts are expressed in Turkish Lira)

	<u>Audited</u> <u>31.12.2015</u>	<u>Audited</u> <u>31.12.2016</u>
I. CURRENT ASSETS		
A. Liquid Assets	48,770,492	26,839,325
1. Cash	122,371	105,107
3. Banks	48,644,021	26,734,218
5. Other Liquid Assets	4,100	-
C. Trade Receivables	1,984,808	32,159,666
1. Customers	1,488,504	1,168,369
2. Notes Receivables	496,304	30,987,396
4. Deposits and Guarantees Given	-	1,379
5. Other Commercial Receivables	-	2,522
6. Doubtful Trade Receivables	3,237,188	4,042,521
7. Provision for Doubtful Trade Receivables (-)	(3,237,188)	(4,042,521)
D. Other Receivables	35,468	75,725
5. Other Receivables	35,468	75,725
E. Inventories	6,927,657	5,350,660
1. Raw Material and Supplies	2,297,645	1,375,299
3. Finished Goods	3,535,936	3,290,942
4. Merchandise	721,723	681,456
7. Advances Given For Purchases	372,353	2,963
G. Prepaid Expenses and Income Accruals	425,886	191,872
1. Prepaid Expenses for Future Months	425,886	191,872
H. Other Current Assets	14,867,983	27,293,184
1. Deferred VAT	14,624,659	27,034,610
4. Prepaid Taxes and Funds	178,374	104,036
6. Advances to Personnel	64,950	154,538
TOTAL CURRENT ASSETS	<u>73,012,294</u>	<u>91,910,432</u>
II. NON-CURRENT ASSETS		
A. Trade Receivables	33,895	28,440
4. Deposits and Guarantees Given	33,895	28,440
D. Tangible Fixed Assets	171,613,879	358,649,702
1. Land	55,172,515	55,406,733
3. Buildings	58,188,847	59,527,893
4. Plant, Machinery and Equipment	14,316,978	14,875,604
5. Motor Vehicles	1,104,327	1,156,723
6. Furniture and Fixtures	12,685,749	12,918,653
8. Accumulated Depreciation (-)	(20,962,098)	(23,973,873)
9. Construction in Progress	34,313,232	191,292,002
10. Advances Given	16,794,329	47,445,967
E. Intangible Assets	35,111	10,772,015
1. Rights	161,901	10,970,882
7. Accumulated Amortization (-)	(126,790)	(198,867)
TOTAL NON-CURRENT ASSETS	<u>171,682,885</u>	<u>369,450,157</u>
TOTAL ASSETS	<u>244,695,179</u>	<u>461,360,589</u>

MRH OTEL YATIRIMLARI İŞLETME SANAYİ VE TİCARET A.Ş.

BALANCE SHEETS AS AT 31 DECEMBER 2016, AND 2015

(Unless otherwise indicated, the amounts are expressed in Turkish Lira)

	Audited 31.12.2015	Audited 31.12.2016
LIABILITIES		
I. SHORT-TERM LIABILITIES		
A. Financial Liabilities	31,219,964	57,024,779
1. Bank Loans	26,413,563	30,029,130
2. Current Maturities of Long Term Credits and Accrued Interest	4,806,401	26,995,649
B. Trade Payables	14,853,079	41,056,594
1. Suppliers	2,741,824	7,638,463
2. Notes Payables	12,111,255	33,418,131
C. Other Liabilities	522,542	5,956,386
1. Due to Shareholders	124,772	5,167,008
4. Due to Personnel	397,770	789,378
D. Advances Received	2,107,343	36,750,723
1. Advances From Customers	2,107,343	36,750,723
F. Taxes Payable and Other Fiscal Liabilities	295,016	861,419
1. Taxes and Funds Payable	98,374	455,061
2. Social Security Withholdings Payable	196,642	406,358
G. Provisions for Liabilities and Expenses	800	33,000
5. Provisions for Other Debts and Liabilities	800	33,000
H. Income Relating to Future Months and Expense Accruals	-	10,512,569
2. Expense Accruals	-	10,512,569
TOTAL SHORT TERM LIABILITIES	<u>48,998,744</u>	<u>152,195,470</u>
II. LONG-TERM LIABILITIES		
A. Financial Liabilities	158,553,496	275,081,896
1. Bank Loans	158,553,496	275,081,896
E. Provisions for Debts Expenses	140,619	139,492
1. Provisions for Termination Indemnities	140,619	139,492
TOTAL LONG-TERM LIABILITIES	<u>158,694,115</u>	<u>275,221,388</u>
TOTAL LIABILITIES	<u>207,692,859</u>	<u>427,416,858</u>
EQUITY		
A. Paid -In Capital	32,500,000	32,500,000
1. Capital	32,500,000	32,500,000
B. Capital Reserves	95,532	95,532
5. Other Capital Reserves	95,532	95,532
C. Profit Reserves	42,483	42,483
1. Legal Reserves	42,483	42,483
D. Retained Earnings	16,833,694	17,055,337
1. Retained Earnings	16,833,694	17,055,337
E. Losses From Previous Years (-)	(8,712,819)	(12,691,032)
1. Losses From Previous Years (-)	(8,712,819)	(12,691,032)
F. Net Profit (Loss) For The Period	(3,756,570)	(3,058,589)
TOTAL EQUITY	<u>37,002,320</u>	<u>33,943,731</u>
TOTAL LIABILITIES	<u>244,695,179</u>	<u>461,360,589</u>

	<u>Audited</u> <u>01.01.2015</u> <u>31.12.2015</u>	<u>Audited</u> <u>01.01.2016</u> <u>31.12.2016</u>
A. GROSS SALES	36,965,521	30,741,980
1. Domestic Sales	36,503,663	29,679,987
3. Other Sales	461,858	1,061,993
B. SALES DEDUCTIONS (-)	(244,825)	(945,856)
1. Sales Returns (-)	(244,825)	(945,856)
C. NET SALES	36,720,696	29,796,124
D. COST OF SALES (-)	(30,958,728)	(24,748,502)
1. Cost of Products Sold (-)	(1,058,775)	(244,994)
2. Cost of Merchandise Sold (-)	(174,617)	(40,267)
3. Cost of Services Rendered (-)	(29,725,336)	(24,463,241)
GROSS PROFIT OR (LOSS)	5,761,968	5,047,622
E. OPERATING EXPENSES (-)	(3,264,024)	(3,195,425)
2. Marketing, Selling and Distribution Expenses	(837,633)	(635,725)
3. General Administration Expenses (-)	(2,426,391)	(2,559,700)
OPERATING PROFIT OR (LOSS)	2,497,944	1,852,197
F. INCOME AND PROFIT FROM OTHER OPERATIONS	17,193,041	7,276,663
3. Interest Income	1,105,992	675,939
5. Provisions no Longer Required	-	3,054
7. Profit From Foreign Currency Exchange	14,964,898	5,703,976
10. Other Income and Profit	1,122,151	893,694
G. EXPENSES AND LOSSES FROM OTHER OPERATIONS (-)	(21,082,350)	(9,882,689)
2. Provisions (-)	(1,020,921)	(840,588)
4. Loss From Foreign Currency Exchange	(20,061,429)	(9,042,101)
H. FINANCIAL EXPENSES (-)	(2,427,103)	(2,457,125)
1. Short Term Borrowing Expenses (-)	(2,427,103)	(2,457,125)
ORDINARY PROFIT OR (LOSS)	(3,818,468)	(3,210,954)
I. EXTRAORDINARY REVENUES AND PROFITS	61,898	152,365
2. Other Extraordinary Revenues and	61,898	152,365
J. EXTRAORDINARY EXPENSES AND LOSES (-)	-	-
PROFIT OR (LOSS) FOR THE PERIOD	(3,756,570)	(3,058,589)
K. PROVISIONS FOR TAXES PAYABLE AND OTHER STATUARY OBLIGATIONS (-)	-	-
NET PROFIT OR (LOSS) FOR THE PERIOD	<u>(3,756,570)</u>	<u>(3,058,589)</u>

MRH OTEL YATIRIMLARI İŞLETME SANAYİ VE TİCARET A.Ş.

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
FOR THE YEARS ENDED 31 DECEMBER 2016, 2015, AND 2014

(Unless otherwise indicated, the amounts are expressed in Turkish Lira)

	Paid-in capital	Special funds	Legal reserves	Accumulated profit / (loss)	Net profit / (loss) for the period	Total equity
Balances at 1 January 2015	29,825,000	95,532	42,483	(4,869,718)	12,990,593	38,083,890
Transfers	-	-	-	12,990,593	(12,990,593)	-
Increase in paid-capital	2,675,000	-	-	-	-	2,675,000
Dividends paid	-	-	-	-	-	-
Net profit/ (loss) for the period	-	-	-	-	(3,756,570)	(3,756,570)
Balances at 31 December 2015	32,500,000	95,532	42,483	8,120,875	(3,756,570)	37,002,320

	Paid-in capital	Special funds	Legal reserves	Accumulated profit / (loss)	Net profit / (loss) for the period	Total equity
Balances at 1 January 2016	32,500,000	95,532	42,483	8,120,875	(3,756,570)	37,002,320
Transfers	-	-	-	(3,756,570)	3,756,570	-
Increase in paid-capital	-	-	-	-	-	-
Dividends paid	-	-	-	-	-	-
Net profit/ (loss) for the period	-	-	-	-	(3,058,589)	(3,058,589)
Balances at 31 December 2016	32,500,000	95,532	42,483	4,364,305	(3,058,589)	33,943,731

MRH OTEL YATIRIMLARI İŞLETME SANAYİ VE TİCARET A.Ş.

STATEMENTS OF CASH FLOW FOR THE YEARS ENDED 31 DECEMBER 2016, 2015, AND 2014

(Unless otherwise indicated, the amounts are expressed in Turkish Lira)

	<u>01.01.2015</u>	<u>01.01.2016</u>
	<u>31.12.2015</u>	<u>31.12.2016</u>
A. CASH AT THE BEGINING OF THE PERIOD	25,896,049	48,770,492
B. CASH INFLOWS WITHIN THE PERIOD	188,965,582	228,162,825
1- Cash from sales	48,751,986	(373,279)
a) Net sales	36,720,696	29,796,124
b) Changes in trade receivables	12,031,290	(30,169,403)
2- Cash from other activities and income	17,193,041	7,276,663
3- Cash from extra-ordinary income	61,898	152,365
4- Cash from decrease of short-term liabilities (not interested in purchase)	-	40,077,224
c) Other increases	-	40,077,224
5- Cash from decrease of long-term liabilities (not interested in purchase)	120,270,618	180,198,362
b) Bank loans	120,270,618	180,198,362
6- Cash received from share capital increase	2,675,000	-
8- Other cash inflows	13,039	831,490
C. CASH OUTFLOWS WITHIN THE PERIOD	(166,091,139)	(250,093,992)
1- Cash outflows due to cost	(24,680,470)	3,032,010
a) Cost of sales	(30,958,728)	(24,748,502)
b) Changes in inventories	2,422,272	1,576,997
c) Changes in trade payables	7,838,949	26,203,515
d) Amortization and non-cash expenses (-)	(3,982,963)	-
2- Cash outflows due to operating expenses	(3,264,024)	(6,279,277)
b) Selling and marketing expenses	(837,633)	(635,725)
c) Administrative expenses	(2,426,391)	(2,559,700)
d) Amortization and non-cash expenses (-)	-	(3,083,852)
3- Cash outflows due to ordinary expenses and cost	(21,082,350)	(9,882,689)
a) Other expenses and cost	(21,082,350)	(9,882,689)
4- Cash outflows due to financial expenses	(2,427,103)	(2,457,125)
5- Cash outflows due to extra-ordinary expenses and cost	-	(152,258)
b) Amortization and non-cash expenses (-)	-	(152,258)
6- Cash outflows due to investments in non-current assets	(83,397,472)	(184,024,048)
7- Cash outflows due to short-term liabilities	(31,192,204)	(50,330,605)
b) Bank loans principal repayments	(10,626,784)	(37,865,147)
c) Other payments	(20,565,420)	(12,465,458)
9- Taxes and similar charges paid	(47,516)	-
D. CASH AT THE END OF THE PERIOD	48,770,492	26,839,325
E. INCREASE/ DECREASE IN CASH	<u>22,874,443</u>	<u>(21,931,167)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(Unless otherwise indicated, the amounts are expressed in Turkish Lira)

NOTE 1. ORGANIZATION AND OPERATIONS OF THE COMPANY

MRH Turizm İnşaat Taahhüt ve Ticaret Ltd. Şti. was established on October 8, 2008 which address is “Saray Mahallesi Toptancı Hal Yanı Hacıbey Apt. No:2 Alanya Antalya”, and the establishment was published in Trade Registered Gazette dated 16.10.2008 and numbered 7169.

In 2011, the Company changed its address to “Okurcular Mahallesi Alparslan Türkeş Bulvarı No: 191 Granada Otel Alanya / Antalya” which published in Trade Registered Gazette dated 01.08.2011, and numbered 7475.

MRH Turizm İnşaat Taahhüt ve Ticaret Ltd. Şti., and Hacıbey Turizm ve Ticaret Ltd. Şti. merged by devolving on universally on January 1, 2014. This merger was published in Trade Registered Gazette dated 16.01.2014, and numbered 8487.

The center address of MRH Otel Yatırımları İşletme Sanayi ve Ticaret A.Ş. (“the Company”) is “Okurcular Mahallesi Alpaslan Türkeş Bulvarı No: 191 Alanya, Antalya”. The Company’s activities are tourism management and construction projects.

The Company has a five-star hotel, Luxury Resort Spa & Thalasso Hotel which built on an area of 11,892,25 m2 in Antalya –Alanya – Okurcular. According to the Tourism Operating Licence dated 19.01.2009 and number 11734, the Hotel has 1.256 total bed amount capacity that explained below:

- 506 twin bedded rooms
- 6 twin bedded rooms for disabled
- 36 twin bedded suit rooms
- 1 four bedded suit rooms
- 29 four bedded dublex suits
- 10 twin bedded terrace villas
- 6 twin bedded botanical houses
- 4 twin bedded bungalow lake houses

The capital structure of the Company as is follows:

	2015		2016	
	Share (%)	Amount (TRY)	Share (%)	Amount (TRY)
Share-holders				
Hacı Osman ÜÇDAN	96.00%	31.200.000	96.00%	31.200.000
Hamdi ÜÇDAN	0,02%	650.000	0,02%	650.000
Mehmet ÜÇDAN	0,02%	650.000	0,02%	650.000
Total	100%	32.500.000	100%	32.500.000

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(Unless otherwise indicated, the amounts are expressed in Turkish Lira)

NOTE 2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

The Company prepared its financial statements, in accordance with accounting policies under the General Communiqué on Accounting System Application. The Company defined its accounting policies in accordance with the Turkish Tax Code for transactions, calculations, and estimates that are not specified in GCAS, while preparation of the financial statements,

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Accounting policies used in preparing on financial statement is summarized in below.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, not a significant amount of risk for impairment, other short-term highly liquid investments with original maturities of three months or less.

Trade receivables/ Payables

Trade reivables and payables that are created by the Company by way of providing goods or services directly to debtor or creditor are carried at nominal price. A doubtful receivable provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due.

Deposits and Guarantees Given

Deposits and guarantees are the values that given for retrieval for a contract or other transactions or undertaken a job for the third parties by the Company.

Inventories

The cost of inventories include all costs of purchase, costs of conversation and other costs incurred in bringing the inventories to their present location and condition. Costs of conversion include amounts of dispersed systematically of fixed and variable general production expenses, which are endured when raw materials and supplies converted to finished goods.

Inventories are valued at the first in first out method.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(Unless otherwise indicated, the amounts are expressed in Turkish Lira)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Property, plant and equipment

Material assets except land, recorded as net value after accumulated amortization and value impairment deducted from their book value. Depreciation is calculated on a straight-line basis over the estimated useful life and stated at financial statements. Estimated useful life at current year as follows;

Building	50 years
Machinery and equipment	10 years
Motor vehicles	5 years
Furniture and fixtures	1-5 years
Rights	3-5 years

Depreciation is not calculated for lands due to their limitless life. Repair and maintenance costs are charged to expense as incurred, except when these repairs significantly extend the life of an asset or result in an operating improvement. Investment expenditures that increase the capacity of assets are added to the cost of the assets. These costs are amortized during the useful life of assets.

Expected utility life is reviewed every year with using residual value and depreciation method for probable effects of the changing. If there is any change of estimation, it is accounted prospectively.

Retirement pay provision

Under Turkish legislation as supplemented by union agreements, lump sum payments are made to all employees who retire or whose employment is terminated without due cause. Such payments are based on number of years' service and final salary at the date of retirement or leaving. With this standard, future retirement payments are discounted to their present value at the balance sheet date at an interest rate determined as net of an expected inflation rate and an appropriate discount rate. This standard also allows the employee benefit liability to be reduced by anticipated forfeitures by eligible employees of their benefit.

As of balance sheet date, retirement pay ceiling is 4,297.21 TRY (2015: 3,828.37 TRY).

Retirement pay provision calculation foresees 20 years for women and 25 years for men.

Current income tax

The Company is subject to tax regulations in Turkey. The corporation tax rate is 20% in Turkey (December 31, 2016: 20%). Corporation tax is calculated on taxable income of the companies after adjusting for non-deductible expenses, exempt income and allowances.

There is no withholding tax from dividends paid to limited taxpayer corporations which earn revenue through an office in Turkey or resident representative. The other dividend payments to individuals or corporations subject to withholding tax of 15%. In addition, withholding tax rates determined by Double Taxation Avoidance Agreements are also considered on dividend payments to the limited taxpayer corporations or the individuals. Accumulated earnings to be added to capital is not considered distribution of profit, therefore it is not subject to withholding tax.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(Unless otherwise indicated, the amounts are expressed in Turkish Lira)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Current income tax (Cont'd)

Considering tax audit mandate of the tax authorities, tax returns and accounting records are kept for five years starting from the date of the declaration. There is no reconciliation with tax authority related with tax payables. Corporation income tax declaration is stated in the following financial period's 25th day of April and the corporation income tax is paid until the end of the month. Tax authorities can examine the tax declarations and accounting records that are considered as a base of these tax declarations within 5 years. If authorities see an incorrect operation, tax amount can change according to tax assessment that will be done.

In Turkey, the regulations of transfer pricing is indicated in 13th article of the Corporate Tax Law ,which is entitled "distribution of hidden income by transfer pricing". The notification about hidden income by transfer pricing dated November 18, 2007 regulates details about application. If the taxpayers purchase or sale of goods or services with related parties over the amount they identified contrary to the arm's length principle, the earnings deemed distributed. According to corporation tax, distribution of hidden income by transfer pricing is considered as non-deductible charges.

Deferred Tax

The Company did not calculate deferred tax on the temporary differences between the tax base and the carrying values of assets and liabilities in the financial statements and did not reflect them in its records.

Revenue

The net revenue of the Company consists of the tourism and construction work revenues which is deducted taxes and discounts. Service revenues are recorded if the service is realized as a revenue in accordance with the accrual basis.

Distribution of profit

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits of the prior year 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.

Effects of Changes in Foreign Exchange

Foreign currency transactions recognizing in the current year, carries at their TRY equivalent value calculated using the exchange rate at the date transaction happened. Foreign currency assets and liabilities, evaluated by using the exchange rate at the balance sheet date. Profit/loss from foreign currency that is arisen from the evaluation and cash/disbursement of foreign currency takes part in income statement.

Other balance sheet items

Other balance sheet items are reflected to financial statements with the nominal values.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(Unless otherwise indicated, the amounts are expressed in Turkish Lira)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Cash Flow Statement

Cash and cash equivalents are carried with their cost in the balance sheet.

In the cash flow statement, the management classified and reported the cash flows for period in a manner based on investing and financing activities.

The cash flows arising from main activities show the cash flows arising from the Company's main activities.

The cash flows arising investment activities show the cash flows arising from the Company's investment activities (asset investments and financial investments) and show the acquired cash flows.

Cash flows related with financing activities show the sources used by the Company in financing activities and the repayment of these resources.

Cash and cash equivalent is the investments that include cash and encasing with bank loans current assets, have high liquidity and original maturity is no longer than 3 or more . For the cash flow statements, taken into account for the cash flow statement, cash and cash equivalents include cash on hand, bank deposits and highly liquid investments.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(Unless otherwise indicated, the amounts are expressed in Turkish Lira)

BALANCE SHEET NOTES

1. The upper limit of registered capital of corporations where the registered capital system is accepted : The Company doesn't accept the upper limit of registered.
2. Payments to top managers such as chairman and members of The Board, general manager, general coordinator, assistants to general manager and general secretary;
 - a) Total amount of each type of advance and loan granted in the current period. 2016: Does not exist. (2015: Does not exist).
 - b) The balance of advance or loan granted at the end of the period: 2016: Does not exist. (2015: Does not exist).
3. Total amount of insurance on assets : 2016: TRY 484.083.000 (2015: TRY 100.700.000).
4. Total amount of mortgages and other guarantees obtained for receivables: 2016: Does not exist. (2015: Does not exist).
5. Total amount of mortgages and other guarantees given for liabilities :

	31.12.2015	31.12.2016
Deposits and guarantees given (TRY)	33,895	28,440

6. Total amount of commitments which are not shown in liabilities:

	31.12.2015	31.12.2016
Letter of guarantee given (TRY)	6,144	5,852,502

7. Foreign currencies in cash and banks:

2015

Currency	Amount	TRY Exchange rate	Total amount
USD	145.663	2,9056	423.239
EUR	8.626.404	3,1754	27.392.282
GBP	33	4,2977	143

2016

Currency	Amount	TRY Exchange rate	Total amount
USD	5.197	3,5167	18.275
EUR	5.606.667	3,7073	20.785.595

8. Receivables from foreign countries(including advances): 2016: Does not exist. (2015: Does not exist).
9. Payables to foreign countries(including advances): 2016: 429.709 TRY (2015: Does not exist).

**NOTES TO THE FINANCIAL STATEMENTS
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(Unless otherwise indicated, the amounts are expressed in Turkish Lira)

BALANCE SHEET NOTES (CONT'D)

10. Amounts of bank guaranteed bonds and commercial papers in circulation: 2016: Does not exist. (2015: Does not exist).
11. Total amounts of investment allowances related to current and future periods: 2016: 11,322,989,64 TL. (2015: 11,322,989,64 TL)
12. Amounts of convertible bonds in circulation: 2016: Does not exist. (2015: Does not exist).
13. List of share certificates which represent the capital : 2016: Does not exist. (2015: Does not exist).
- 14.Amount of share capital issued in current period : 2016: Does not exist. (2015: Does not exist).
- 15.List of owners or shareholders who hold more than 10% of the capital:

	2015	2016
Shareholders	Share(%)	Share(%)
Hacı Osman Üçdan	96.00%	96.00%

- 16.List of participations and subsidiaries owned more than %10 of their share capital: 2016: Does not exist. (2015: Does not exist).

17.Valuation Method of Inventory:

- a) Method used in current period.: First in first out (FIFO)
- b) Method used in previous period: First in first out (FIFO)
- c) If there is a change in valuation method of inventory, amount of increase(+) or decrease(-) on inventory resulting from such change: 2016: Does not exist. (2015: Does not exist).

18. Movements of fixed assets in current period:

	31.12.2014			31.12.2015
Fixed assets	Opening	Additional	Disposal	Closing balance
Tangible assets	134.414.676	62.677.973	(4.516.672)	192.575.977
Tangible assets, depreciation (-)	(16.992.776)	(3.971.578)	2.256	(20.962.098)
Intangible assets	130.059	31.842	-	161.901
Intangible assets, amortizatin(-)	(111.093)	(15.697)	-	(126.790)
Total	117.440.866	58.722.540	(4.514.416)	171.648.990
	31.12.2015			31.12.2016
Fixed assets	Opening	Additional	Disposal	Closing balance
Tangible assets	349.792.728	32.988.020	(157.174)	382.623.575
Tangible assets, depreciation (-)	(21.004.870)	(2.981.018)	12.014	(23.973.873)
Intangible assets	161.901	10.808.981	-	10.970.882
Intangible assets, amortizatin(-)	(126.790)	(72.077)	-	(198.867)
Total	328.822.970	40.743.907	(145.160)	369.421.717

**NOTES TO THE FINANCIAL STATEMENTS
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(Unless otherwise indicated, the amounts are expressed in Turkish Lira)

BALANCE SHEET NOTES (CONT'D)

19. Trade receivables and trade payables from parent company , subsidiaries and participations: 2016: Does not exist. (2015: Does not exist).
20. Average number of personnel in current period: 2016: 525 employee - (2015: 410 employee).
21. Information about post-balance sheet events: 2016: Does not exist. (2015: Does not exist).
22. Information about material contingent loses and contingent gains which their amounts cannot be estimated (The nature of legal conflicts which may effects the results for the period or incurred the business debt are stated in this section.): 2016: Does not exist. (2015: Does not exist).
23. Information about changes in accounting estimates and their monetary effects, those which have materially effect to gross profit ratios: 2016: Does not exist. (2015: Does not exist).
24. Amount of blocked deposits in banks: 2016: Does not exist. (2015: Does not exist).
25. Amount of securities issued by shareholders, participations and subsidiaries and issuers of them: 2016: Does not exist. (2015: Does not exist).
26. Amount of non-paid up shares received from participations and subsidiaries due to capital increase realized from internal resources: 2016: Does not exist. (2015: Does not exist).
27. Amount of unaccrued liabilities of interests for future periods related to short and long- term credits and bonds payable(including redeemed shares): 2016: Does not exist. (2015: Does not exist).
28. Amount of obligations granted such as guarantees, commitments, bailments, endorsements in favor of the shareholders, participations and subsidiaries: 2016: Does not exist. (2015: Does not exist).
29. Other significant matters effecting to or making financial statements more clear, interpretable and understandable should be disclosed: 2016: Does not exist. (2015: Does not exist).
30. Approval date of balance sheet: 16/02/2016

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(Unless otherwise indicated, the amounts are expressed in Turkish Lira)

INCOME STATEMENT NOTES

1. All depreciation, amortization and depletion expenses of current year: 2016: 3.083.852 TRY (2015: 3.982.963 TRY)

	31.12.2015	31.12.2016
Employee termination benefits	(3.195)	-
Doubtful receivables allowances	(1.020.121)	(808.388)
Litigation provisions	(800)	(32.200)
Total	(1.024.116)	(840.588)

2. Provision expenses of current year: 2016 : 2.457.125 TRY (2015: 2.427.103 TRY)
3. Financial expenses of current period.: 2016: Does not exist. (2015: Does not exist).
4. Amount of financial expenses paid to parent company , main establishment, subsidiaries and participations in total financial expenses.(Those which are over than 20% of the total amount should be disclosed separately): 2016: Does not exist. (2015: Does not exist).
5. Sales to parent company , main establishment subsidiaries and participations ((Those which are over than 20% of the total amount should be disclosed separately): 2016: Does not exist. (2015: Does not exist).
6. Interests, rents and etc. received from or paid to parent company , main establishment subsidiaries and participations (Those which are over than 20% of the total amount should be disclosed separately): 2016: Does not exist. (2015: Does not exist).
7. Total amount of wages and other benefits granted to top management such as the chairman, board of directors, general manager, general coordinator, assistant to general manage : 2016: Does not exist. (2015: Does not exist).
8. Increase (+) or decrease(-) occurred depreciation expenses of the Period because of changes in depreciation methods and depreciation calculating techniques:
Depreciation is calculated on a straight-line basis over the estimated useful life and stated at financial statements. Land is not depreciated. There is no change the method of the calculation of amortization in the current period.
9. Cost calculation systems (stage or order) and evaluation methods of inventory (weighted average, first in first out , moving weighted average method, etc.): 2016: FIFO. (2015: FIFO).
10. The reasons of not doing completely or partly a physical count of inventory : 2016: Does not exist. (2015: Does not exist).
11. Amounts of sales related to sub -product, scrap, remnants and etc. materials and services included in domestic and export sales accounts if those exceed 20% of gross sales: 2016: Does not exist. (2015: Does not exist).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016**

(Unless otherwise indicated, the amounts are expressed in Turkish Lira)

INCOME STATEMENT NOTES (CONT'D)

12 Explanatory note related to revenues or profits and expenses or losses of previous period with sources and amounts of them: 2016: Does not exist. (2015: Does not exist).

13 Earning per share and rate of dividend for common stocks and preference stocks

	31.12.2015	31.12.2016
Number of shares	32.500.000	32.500.000
Net profit/(loss)	(3.756.570)	(3.058.589)
Earnings/ (loss) per share	(0,1155)	(0,0941)

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