

**Çalık Holding Anonim Şirketi
and its Subsidiaries**

**Consolidated Financial Statements
As at and for the Year Ended
31 December 2014
With Independent Auditor's Report**

**KPMG Akis Bağımsız Denetim ve Serbest Muhasebeci Mali
Müşavirlik Anonim Şirketi**

6 April 2015

**This report includes 2 pages of independent auditor's report and
130 pages of consolidated financial statements together with
their explanatory notes and 6 pages of supplementary
information.**

Çalık Holding Anonim Şirketi and its Subsidiaries

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Independent Auditor's Report

To the Board of Directors of Çalık Holding Anonim Şirketi

We have audited the accompanying consolidated financial statements of Çalık Holding Anonim Şirketi and its subsidiaries, which comprise the consolidated statement of financial position as at 31 December 2014, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting 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.

Auditors' Responsibility

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

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

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



Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of alık Holding Anonim Ŗirketi and its subsidiaries as at 31 December 2014 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

Our audit was made for the purpose of forming an opinion on the consolidated financial statements taken as whole. The supplementary information included in Appendix I is presented for the purposes of additional analysis and is not a required part of the basic consolidated financial statements. The US Dollar amounts presented in Appendix I are solely for the convenience of the reader as additional analysis and have not been subjected to the audit procedures applied in the audit of the basic consolidated financial statements. Accordingly, we do not express an opinion on this supplementary information.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member of KPMG International Cooperative

Hakan Ölekli
Partner
6 April 2015
Istanbul, Turkey

Çalık Holding Anonim Şirketi and its Subsidiaries

As at 31 December 2014

Consolidated Statement of Financial Position

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

		Restated (*)	
	Notes	31 December 2014	31 December 2013
Current assets			
Cash and cash equivalents	8	824.696	761.556
Financial investments	9	2.493.846	1.795.629
Trade receivables	10	2.230.990	1.724.102
<i>Due from related parties</i>	7	1.014	157.277
<i>Due from third parties</i>		2.229.976	1.566.825
Receivables related to finance sector operations	11	1.647.020	1.423.482
<i>Due from third parties</i>		1.647.020	1.423.482
Other receivables	12	431.478	328.435
<i>Due from related parties</i>	7	60.155	30.530
<i>Due from third parties</i>		371.323	297.905
Inventories	13	1.037.975	938.201
Derivatives	22	1.022	2.482
Prepayments	14	250.624	430.225
Current tax assets	26	17.574	20.091
Other current assets	19	1.155.790	923.743
Subtotal		10.091.015	8.347.946
Assets held for sale	5	171.072	2.188.037
Total current assets		10.262.087	10.535.983
Non- current assets			
Trade receivables	10	330.154	400.396
<i>Due from third parties</i>		330.154	400.396
Receivables related to finance sector operations	11	2.707.573	2.382.144
<i>Due from related parties</i>		4.063	--
<i>Due from third parties</i>		2.703.510	2.382.144
Other receivables	12	17.340	17.135
<i>Due from third parties</i>		17.340	17.135
Financial investments	9	1.589.541	1.657.208
Investments in equity-accounted investees	15	160.443	67.324
Investment property	18	357.948	303.253
Property, plant and equipment	16	1.195.772	1.133.523
Intangible assets	17	568.130	542.850
<i>Goodwill</i>		3.796	3.796
<i>Other intangible assets</i>		564.334	539.054
Prepayments	14	72.756	2.952
Deferred tax assets	26	124.087	148.114
Other non-current assets		292	6
Total non-current assets		7.124.036	6.654.905
Total assets		17.386.123	17.190.888

(*) See Note 3 (b).

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

Çalık Holding Anonim Şirketi and its Subsidiaries

As at 31 December 2014

Consolidated Statement of Financial Position (*continued*)

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

			Restated (*)
	Notes	31 December 2014	31 December 2013
Short term liabilities			
Short term loans and borrowings	21	4.901.234	3.100.963
Short term portion of long term loans and borrowings	21	196.710	624.370
Derivatives	22	2.510	33.234
Trade payables	10	885.780	765.105
<i>Due to related parties</i>	7	18.525	553
<i>Due to third parties</i>		867.255	764.552
Payables related to finance sector operations	11	5.752.118	5.771.742
<i>Due to related parties</i>		9.558	--
<i>Due to third parties</i>		5.742.560	5.771.742
Payables related to employee benefits	23	12.888	9.134
Other payables	12	242.535	334.998
<i>Due to related parties</i>	7	43.365	88.148
<i>Due to third parties</i>		199.170	246.850
Deferred revenue	14	1.121.179	1.951.072
Current tax liabilities	26	10.952	11.617
Short term provisions	24	59.573	66.093
<i>Short term employee benefits</i>	24	32.130	30.453
<i>Other short term provisions</i>	24	27.443	35.640
Other short term liabilities	19	226.421	128.168
Liabilities from equity accounted investees	15	38.480	16.119
Subtotal		13.450.380	12.812.615
Liabilities held for sale	5	7.533	1.839.695
Total short term liabilities		13.457.913	14.652.310
Long term liabilities			
Long term loans and borrowings	21	1.093.642	935.553
Trade payables	10	78.167	155.179
<i>Due to third parties</i>		78.167	155.179
Payables related to finance sector operations	11	488.159	339.113
<i>Due to third parties</i>		488.159	339.113
Other payables	12	117.725	95.824
<i>Due to related parties</i>	7	935	--
<i>Due to third parties</i>		116.790	95.824
Deferred revenue	14	651.083	318.310
Long term provisions	24	31.041	27.633
<i>Long term employee benefits</i>	24	30.809	26.752
<i>Other long term provisions</i>	24	232	881
Deferred tax liabilities	26	152.592	114.930
Other long term liabilities		7.223	164
Total long term liabilities		2.619.632	1.986.706
Total liabilities		16.077.545	16.639.016

(*) See Note 3 (b).

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

Çalık Holding Anonim Şirketi and its Subsidiaries

As at 31 December 2014

Consolidated Statement of Financial Position *(continued)*

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

			Restated (*)
	Notes	31 December 2014	31 December 2013
Equity			
Equity attributable to the owners of the Company			
Share capital	27	400.000	240.852
Adjustment to share capital		6.400	6.400
Other comprehensive income that is or may be reclassified to profit or loss		60.701	136.014
Restricted reserves	27	278.012	174.764
Retained earnings		(334.056)	604.987
Profit/(loss) for the year		808.675	(776.081)
Total equity attributable to the owners of the Company		1.219.732	386.936
Total non-controlling interests	27	88.846	164.936
Total equity		1.308.578	551.872
Total equity and liabilities		17.386.123	17.190.888

(*) See Note 3 (b).

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

Çalık Holding Anonim Şirketi and its Subsidiaries

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 December 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

			Restated (*)
Continuing operations	Notes	2014	2013
Revenue	28	5.369.086	3.229.033
Cost of sales	28	(4.252.781)	(2.673.796)
Gross profit from non-finance sector operations	28	1.116.305	555.237
Revenue from finance sector operations	28	637.444	643.692
Cost of revenues from finance sector operations	28	(266.036)	(267.084)
Gross profit from finance sector operations	28	371.408	376.608
Gross profit	28	1.487.713	931.845
Other income	30	484.423	165.352
General and administrative expenses	29	(589.448)	(441.390)
Selling, marketing and distribution expenses	29	(278.208)	(210.532)
Research and development expenses	29	(35.690)	(20.333)
Share of loss of equity accounted investees, net of taxes	15	(41.046)	(839)
Other expenses	30	(147.235)	(384.400)
Operating profit		880.509	39.703
Gain from investing activities	31	63.319	62.312
Loss from investing activities	31	(45.097)	(107.253)
Operating profit/(loss) before finance costs		898.731	(5.238)
Finance income	32	40.014	52.163
Finance costs	32	(496.573)	(505.159)
Net finance costs		(456.559)	(452.996)
Profit/(loss) before tax from continuing operations		442.172	(458.234)
Current tax expense	26	(62.822)	(59.159)
Deferred tax benefit/(expense)	26	(63.077)	21.722
Total tax expense		(125.899)	(37.437)
Profit/(loss) from continuing operations		316.273	(495.671)
Profit/(loss) from discontinued operations	5	472.132	(398.269)
Profit/(loss) for the year		788.405	(893.940)

(*) See Note 3 (b).

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

Çalık Holding Anonim Şirketi and its Subsidiaries

Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 December 2014 *(continued)*

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

			Restated ^(*)
	Notes	2014	2013
Profit/(loss) for the year		788.405	(893.940)
Items that are or may be reclassified to profit or loss			
Foreign currency translation differences for foreign operations and reporting currency translation differences		(98.163)	81.829
Change in fair value of available-for-sale financial assets	9	20.703	(46.311)
Deferred tax benefit/(expense)	26	(4.141)	7.148
Total other comprehensive (loss)/income		(81.601)	42.666
Total comprehensive income/(loss)		706.804	(851.274)
Net profit/(loss) attributable to:			
Owners of the Company		808.675	(776.081)
Non-controlling interests		(20.270)	(117.859)
Net profit / (loss) for the year		788.405	(893.940)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		727.948	(732.561)
Non-controlling interests		(21.144)	(118.713)
Total other comprehensive income/(loss)		706.804	(851.274)

^(*) See Note 3 (b).

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

Çalık Holding Anonim Şirketi and its Subsidiaries

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Attributable to owners of the Company										
			Restricted reserves	Accumulated other comprehensive income/(expense) that may be reclassified to profit or loss		Retained earnings/ (accumulated losses)				
	Paid-in capital	Adjustment to share capital	Legal reserves	Fair value reserve of financial assets available-for-sale	Translation reserve	Retained earnings/ (accumulated losses)	Profit/(Loss) for the year	Total	Non-controlling interests	Total equity
Balances at 1 January 2013	240.852	6.400	159.352	20.301	72.193	793.731	34.225	1,327.054	283.667	1,610.721
Total comprehensive loss for the period										
Restated loss for the period ^(*)	--	--	--	--	--	--	(776.081)	(776.081)	(117.859)	(893.940)
Other comprehensive loss										
Net fair value change in financial assets available-for-sale	--	--	--	(39.091)	--	--	--	(39.091)	(72)	(39.163)
Foreign currency translation differences for foreign operations and reporting currency translation differences	--	--	--	--	82.611	--	--	82.611	(782)	81.829
Total other comprehensive income	--	--	--	(39.091)	82.611	--	--	43.520	(854)	42.666
Total comprehensive loss for the period	--	--	--	(39.091)	82.611	--	(776.081)	(732.561)	(118.713)	(851.274)
Transactions with owners, recorded directly in equity										
Dividend distribution to non-controlling interests	--	--	15.412	--	--	(15.412)	--	--	(18)	(18)
Acquisition of non-controlling interests in an entity under common control (Note 4)	--	--	--	--	--	(207.557)	--	(207.557)	--	(207.557)
Transfers	--	--	--	--	--	34.225	(34.225)	--	--	--
Total transactions with owners	--	--	15.412	--	--	(188.744)	(34.225)	(207.557)	(18)	(207.575)
Restated balances at 31 December 2013	240.852	6.400	174.764	(18.790)	154.804	604.987	(776.081)	386.936	164.936	551.872
Balances at 1 January 2014										
Balances at 1 January 2014	240.852	6.400	174.764	(18.790)	154.804	604.987	(776.081)	386.936	164.936	551.872
Total comprehensive income for the period										
Profit for the period	--	--	--	--	--	--	808.675	808.675	(20.270)	788.405
Other comprehensive income										
Net fair value change in financial assets available-for-sale	--	--	--	16.562	--	--	--	16.562	--	16.562
Foreign currency translation differences for foreign operations and reporting currency translation differences	--	--	--	--	(97.289)	--	--	(97.289)	(874)	(98.163)
Total other comprehensive income	--	--	--	16.562	(97.289)	--	--	(80.727)	(874)	(81.601)
Total comprehensive loss for the period	--	--	--	16.562	(97.289)	--	808.675	727.948	(21.144)	706.804
Transactions with owners, recorded directly in equity										
Share capital increase (Note 27)	159.148	--	--	--	--	(58.734)	--	100.414	--	100.414
Dividend distribution to non-controlling interests	--	--	--	--	--	--	--	--	(1.385)	(1.385)
Change in non-controlling interests in an entity under common control (Note 4)	--	--	--	--	--	(980)	--	(980)	(1.325)	(2.305)
Sales of interest in consolidated subsidiaries resulting loss of control (Note 5)	--	--	--	--	5.414	--	--	5.414	(52.236)	(46.822)
Transfers	--	--	103.248	--	--	(879.329)	776.081	--	--	--
Total transactions with owners	159.148	--	103.248	--	5.414	(939.043)	776.081	104.848	(54.946)	49.902
Balances at 31 December 2014	400.000	6.400	278.012	(2,228)	62.929	(334.056)	808.675	1,219.732	88.846	1,308.578

(*) See Note 3 (b).

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Consolidated Statement of Cash Flows
For the Year Ended 31 December 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

		Restated (*)	
	Notes	2014	2013
A.CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES		(840.941)	1.225.737
Profit for the period		788.405	(893.940)
Adjustments to reconcile cash flow generated from operating activities:		(26.244)	288.764
Adjustments for depreciation and amortization	16,17	179.656	190.187
Loss on sale of derivative financial instruments	31	14.328	45.374
Adjustments for fair value (gains) / loss of financial investments	9	21.424	95.130
Adjustments for doubtful receivables	10,12	21.995	28.177
Adjustments for fair value loss of investment property	18	(32.324)	8.075
Adjustments for impairment of available for sales instruments	9	9.004	4.284
Adjustments for inventory impairment, net	13	(20.340)	23.027
Adjustments for provision for long term employee benefits	24	5.804	18.949
Adjustments for provisions for loan impairment	11	21.368	62.040
Adjustments for provisions, net	24	(9.880)	(32.572)
Adjustments for impairment on property, plant and equipment	16	(5.634)	--
Adjustments for vacation pay liability	24	964	(754)
Gain on sale of discontinued operations, net of tax	5	(484.791)	--
Adjustments for share of (profit)/ loss of equity accounted investees	15	41.046	839
Adjustments for interest income and expenses		219.148	228.936
Rediscount interest (gain) / losses, net	30	(36.727)	(30.495)
Unrealized foreign currency (income) / loss		(91.930)	(366.509)
Adjustments for tax expense	26	125.899	37.437
Adjustments for the gains on sales of property and equipment, net	31	(5.254)	(23.361)
Changes in working capital		(1.600.578)	1.939.850
Adjustments for change in inventories		(100.859)	152.041
Adjustments for change in trade receivables		(455.156)	(508.507)
Adjustments for change in payables related to employee benefits		3.754	(9.738)
Adjustments for change in other receivables, other current assets and other non-current assets related with operating activities		(342.602)	130.142
Adjustments for change in assets held for sale		(5.437)	(701.256)
Adjustments for change in liabilities held for sale		20.532	1.827.429
Adjustments for change in receivables from finance sector operations		(593.309)	(988.439)
Adjustments for change in payables from finance sector operations		129.422	1.456.538
Change in restricted cash and cash equivalents		7.204	(49.016)
Adjustments for change in trade payables		43.663	(824.971)
Adjustments for change in prepayments		109.797	(230.522)
Adjustments for change in deferred income		(497.120)	1.544.589
Adjustments for change in other payables and other liabilities related with operating activities		79.533	141.560

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

Çalık Holding Anonim Şirketi and its Subsidiaries
Consolidated Statement of Cash Flows (*continued*)
For the Year Ended 31 December 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Cash flows used in operating activities		(2.524)	(108.937)
Employee termination indemnity paid		(1.747)	(11.166)
Recoveries from receivables from finance operations	11	30.584	5.393
Interest received	30	43.840	2.184
Acquisition of investment property	18	(22.371)	(41.469)
Collection from doubtful receivables	10	25.088	16.210
Taxes paid	26	(77.918)	(80.089)
B. CASH FLOWS USED IN INVESTING ACTIVITIES		(217.301)	(1.225.360)
Proceeds from sales of property and equipment and intangible assets	16,17	37.126	78.444
Proceeds from disposal of held to maturity financial investments		3.511	8.767
Disposal of discontinued operations, net of cash disposed of	5	607.677	--
Formation and capital contribution of share capital of equity accounted investees	15	(63.757)	(12.573)
Acquisition of non-controlling interests in entities under common control	4	(2.305)	(207.557)
Proceeds from / (repayment of) derivative financial instruments		(60.325)	(13.691)
Proceeds from available for sale financial investments	9	386.631	18.791
Acquisition of held to maturity financial investments	9	(16.733)	(76.584)
Acquisition of available for sale financial investments	9	(804.461)	(617.073)
Acquisition of property and equipment	16	(207.473)	(387.843)
Acquisition of intangible assets	17	(97.192)	(16.041)
C. CASH FLOWS FROM FINANCING ACTIVITIES		1.128.586	237.592
Proceeds from funding of related parties	7,12	(44.783)	73.068
Dividend payment		(1.385)	(18)
Proceeds from / (repayment of) loans and borrowings, net		1.438.396	193.023
Interest paid		(263.642)	(28.481)
NET INCREASE / DECREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		70.344	237.969
E. CASH AND CASH EQUIVALENTS AT THE BEGINING OF THE PERIOD		697.332	459.363
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+E)	8	767.676	697.332

(*) See Note 3 (b).

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

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

Notes to Consolidated Financial Statements

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Appendix: Supplementary information

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

1 Reporting entity

Çalık Holding Anonim Şirketi ("Çalık Holding" or "the Company") was established in 1997 and the Company's main operations are to manage and coordinate the activities of its subsidiaries operating in different industries, including textile, energy, telecommunication, construction, real estate, investment and marketing, and to make investments in these industries.

Çalık Holding was established at its registered office address, Büyükdere Caddesi No:163 Zincirlikuyu İstanbul/Türkiye, on 20 March 1997.

As of 31 December 2014, Çalık Holding has 71 (31 December 2013: 92) subsidiaries ("the Subsidiaries"), 8 (31 December 2013: 3) joint ventures ("the Joint Ventures"), 1 (31 December 2013: 1) joint operation ("the Joint Operation") and 9 (31 December 2013: 9) associates ("the Associates") (referred to as "the Group" or "Çalık Group" herein and after). The consolidated financial statements of the Group as at and for the year ended 31 December 2014 and 2013, comprises Çalık Holding and its subsidiaries and the Group's interest in associates and joint ventures and operations.

As at 31 December 2014, the number of employees of the Group is 7.631 (31 December 2013: 9.278).

As explained in more detail in Note 6, the Group operates mainly under seven segments:

- Energy
- Construction
- Textile
- Marketing
- Telecommunication
- Banking and finance
- Media (Discontinued)

The subsidiaries, the joint ventures, the joint operation and the associates included in the consolidation scope of Çalık Holding, their country of incorporation, nature of business and their respective operating segments are as follows:

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

1 Reporting entity (continued)

1.1 Entities in energy segment

Company Name	Type of partnership	Country
Adacami Enerji Elektrik Üretim Sanayi Ve Ticaret A.Ş.	Subsidiary	Turkey
Akçay Enerji A.Ş.	Subsidiary	Turkey
Aktif Doğalgaz Ticaret A.Ş.	Subsidiary	Turkey
Ant Enerji Sanayi ve Ticaret Limited Şirketi	Subsidiary	Turkey
Atagas Doğalgaz Ticaret A.Ş.	Joint venture	Turkey
Atayurt İnşaat A.Ş.	Subsidiary	Turkey
Atlas Petrol Gaz İthalat İhracat ve Pazarlama Ticaret A.Ş.	Subsidiary	Turkey
Ayas Rafineri ve Petrokimya Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Başak Yönetim Sistemleri A.Ş.	Subsidiary	Turkey
Çalık Diamond Solar Enerji A.Ş.	Subsidiary	Turkey
Çalık Elektrik Dağıtım A.Ş.	Subsidiary	Turkey
Çedaş Elektrik Dağıtım Yatırımları A.Ş.	Subsidiary	Turkey
Çalık Enerji Dubai FZE	Subsidiary	UAE – Dubai
Çalık Enerji Elektrik Üretim ve Madencilik A.Ş.	Subsidiary	Turkey
Çalık Enerji Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Çalık Limak Adi Ortaklığı	Joint venture	Turkey
Çalık NTF Elektrik Üretim ve Madencilik A.Ş.	Subsidiary	Turkey
Çalık Petrol Arama Üretim Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Çalık Rüzgar Enerjisi Elektrik Üretim Limited Şirketi	Subsidiary	Turkey
Çep Petrol Dağıtım Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Doğu Akdeniz Petrokimya ve Rafineri Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Doğu Aras Enerji Yatırımları A.Ş.	Joint venture	Turkey
Gap Elektrik Dağıtım Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Irmak Yönetim Sistemleri A.Ş.	Subsidiary	Turkey
İkideniz Petrol ve Gaz Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Japan International Enerji Network A.Ş.	Subsidiary	Turkey
Kızılırmak Enerji Elektrik A.Ş.	Subsidiary	Turkey
Kosova Çalık Limak Energy SH.A.	Joint venture	Kosovo
LC Electricity Supply and Trading d.o.o.	Joint venture	Serbia
Momentum Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Ortur Elektrik Üretim ve Ticaret Limited Şirketi	Subsidiary	Turkey
Petrotrans Enerji A.Ş.	Subsidiary	Turkey
Sembol Enerji A.Ş.	Subsidiary	Turkey
TAPCO Petrol Boru Hattı Sanayi ve Ticaret A.Ş.	Associate	Turkey
Türkmen'in Altın Asrı Elektrik Enerjisi Toptan Satış A.Ş.	Subsidiary	Turkey
Vadi Elektrik Üretim Sanayi ve Ticaret Limited Şirketi	Subsidiary	Turkey
Yeşilçay Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Yeşılırmak Elektrik Perakende Satış A.Ş.	Subsidiary	Turkey
Yeşılırmak Elektrik Dağıtım A.Ş.	Subsidiary	Turkey

Çalık Holding Anonim Şirketi and its Subsidiaries

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

1 Reporting entity (continued)

1.1 Entities in energy segment (continued)

Adacami Enerji Elektrik Üretim Sanayi Ve Ticaret A.Ş. ("Adacami Enerji")

Adacami Enerji was established in December 2009, for the purpose of renting and operating electricity facility and selling electricity.

Akçay Enerji A.Ş. ("Akçay Enerji")

Akçay Enerji was established in 2010 in Istanbul for the purpose of building, renting and setting electricity production facility into operation, producing electricity and selling produced electricity and/or electricity capacity to the customers.

Aktif Doğalgaz Ticaret A.Ş. ("Aktif Doğalgaz")

Aktif Doğalgaz was established in 1999, in Istanbul for the purpose of operating in gas distribution and trading.

Ant Enerji Sanayi ve Ticaret Limited Şirketi ("Ant Enerji")

Ant Enerji was established in 2006, in Istanbul for the purpose of marketing, selling and distribution of energy.

Atagas Doğalgaz Ticaret A.Ş. ("Atagas Doğalgaz")

Atagas Doğalgaz was founded in 2014 as a joint venture with a joint agreement between Aktif Doğalgaz and ASL Enerji Sanayi ve Ticaret A.Ş. ("ASL Enerji") with the participation of these two companies equally by 50%, for the purpose of exporting natural gas to be purchased from Turkmenistan, through Iran and wholesales in Turkey and/or re-exporting abroad.

Atayurt İnşaat A.Ş. ("Atayurt İnşaat")

Atayurt İnşaat was established in 2009 for the purpose of building and operating energy power plants and providing operational and maintenance services to power plants. Atayurt İnşaat has opened a branch in Tripoli city of Libya in 2014.

Atlas Petrol Gaz İthalat İhracat ve Pazarlama Ticaret A.Ş. ("Atlas Petrol")

Atlas Petrol was established in 2008 for the purpose of importing, exporting, and distributing of all kinds of crude oil and building and operation necessary facility for the production.

Ayas Rafineri ve Petrokimya Sanayi ve Ticaret A.Ş. ("Ayas Rafineri")

Ayas Rafineri was established in 2010 for the purpose of installing petroleum refinery, petrochemistry facilities, additional facilities and all kind of auxiliary and complementary plants, buying and selling them, acquiring interest in these facilities, operating and expanding them when necessary.

Başak Yönetim Sistemleri A.Ş. ("Başak Yönetim")

Başak Yönetim was established in 2008 for the purpose of building and operating of electricity production facility and producing, selling and marketing of electricity with the name "Başak Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş."

The name of the Başak Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. was changed on 11 April 2013 as "Başak Yönetim Sistemleri A.Ş."

Çalık Diamond Solar Enerji A.Ş. ("Çalık Solar Enerji")

Çalık Solar Enerji was established in 2012 and main operation of the Çalık Solar Enerji is to develop and construct all kinds of solar energy power plants.

Çalık Elektrik Dağıtım A.Ş. ("ÇEDAS")

ÇEDAS was established in 2010 according to legislations of Energy Market Regulatory Authority to distribute and sale of electricity and to invest in companies operating in these businesses.

Çalık Holding Anonim Şirketi and its Subsidiaries

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

1 Reporting entity (continued)

1.1 Entities in energy segment (continued)

Çedaş Elektrik Dağıtım Yatırımları A.Ş. ("ÇED")

ÇED was founded in accordance with the energy market regulations for the purpose of establishing and participating to the companies that are engaged in distribution, retail and wholesale of electricity energy and/or capacity, assigning management of these established and participated companies, to provide consultancy services on technical, financial, information processing and human resources management issues and to make industrial and commercial investments through these companies.

Çalık Enerji Dubai FZE ("Çalık Enerji Dubai ")

Çalık Enerji Dubai was incorporated in Jebel Ali Free Zone, Dubai and has a branch in Turkmenistan.

Çalık Enerji Elektrik Üretim ve Madencilik A.Ş. ("Çalık Elektrik")

Çalık Elektrik was established in 2004, in Istanbul for the purpose of building, operating and renting electricity power plants.

Çalık Enerji Sanayi ve Ticaret A.Ş. ("Çalık Enerji")

Çalık Enerji was established in 1998 to conduct the Group's activities in the energy sector and to engage in the operation, exploration and production of natural gas and petroleum resources, shipment and selling of these resources to the international areas. Çalık Enerji has five branches namely Çalık Enerji Turkmenistan, Çalık Enerji Georgia, Çalık Enerji Libya, Çalık Enerji Uzbekistan and Çalık Enerji Iraq.

Çalık Limak Adi Ortaklığı

Çalık Limak Adi Ortaklığı A.Ş. was established in 2013 as a joint venture of ÇEDAŞ and Limak Yatırım Enerji Üretim İşletme Hizmetleri ve İnşaat A.Ş. ("Limak Yatırım"), in Istanbul for the purpose of supplying all kind of technical equipments to Kosovo Electricity Distribution and Supply Company ISC fully owned by Kosovo Çalık Limak Energy which is also a joint venture of Çalık Elektrik, ÇEDAŞ and Limak Yatırım.

Çalık NTF Elektrik Üretim ve Madencilik A.Ş. ("Çalık NTF")

Çalık NTF was established in 2006, in Istanbul for the purpose of establishing, operating and renting power generation plants.

Çalık Petrol Arama Üretim Sanayi ve Ticaret A.Ş. ("Çalık Petrol")

Çalık Petrol was established in 2012 for natural gas and oil exploration, production, distribution, sale, transport and trading.

Çalık Rüzgar Enerjisi Elektrik Üretim Limited Şirketi ("Çalık Rüzgar")

Çalık Rüzgar was established for the purpose of building and operating of electricity power plants, production, selling and marketing of electricity.

Çep Petrol Dağıtım Sanayi ve Ticaret A.Ş. ("ÇEP Petrol")

Çep Petrol was established in 2008 for the purpose of importing, exporting, distributing all kinds of crude oil and building and operating necessary facilities for the production.

Doğu Akdeniz Petrokimya ve Rafineri Sanayi ve Ticaret A.Ş. ("Doğu Akdeniz Petrokimya")

Doğu Akdeniz Petrokimya (formerly known as Enerji Petrol Gaz İthalat Pazarlama Sanayi ve Ticaret A.Ş.) was established at the end of 2005 in Istanbul for the purpose of realising prospects for oil and natural gas, producing, importing and exporting and distribution of these products to other plants.

Çalık Holding Anonim Şirketi and its Subsidiaries

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

1 Reporting entity (continued)

1.1 Entities in energy segment (continued)

Doğu Aras Enerji Yatırımları A.Ş. ("Doğu Aras")

Doğu Aras was founded in accordance with the energy market regulations as a joint venture with a joint agreement between ÇED and Kiler Alışveriş Hizmetleri Gıda Sanayi Ticaret A.Ş. ("Kiler Alışveriş") on 5 May 2013 with the participation of these two companies by 49% and 51%, respectively, for the purpose of establishing and participating to the companies that are engaged in distribution, retail and wholesale of electricity energy and/or capacity, assigning management of these established and participated companies, providing consultancy services on technical, financial, information processing and human resources management issues and making industrial and commercial investments through this companies.

On 28 June 2013, Doğu Aras purchased all shares of Aras Elektrik Dağıtım A.Ş. ("EDAŞ") and Aras Elektrik Perakende Satış A.Ş. ("EPAŞ"), which were previously state owned companies operating in electricity distribution and procurement in cities Kars, Ardahan, Iğdır, Erzin, Ağrı, Bayburt and Erzurum, within the privatization.

Gap Elektrik Dağıtım Sanayi ve Ticaret A.Ş. ("Gap Elektrik")

Gap Elektrik was established in 1998 and has a 30-year license to operate electrical distribution systems in the cities of Malatya, Elazığ, Tunceli and Bingöl. As of the reporting date, Gap Elektrik is a non-operating company.

Irmak Yönetim Sistemleri A.Ş. ("Irmak Yönetim")

Irmak Yönetim, formerly known as "Irmak Enerji Elektrik Üretim Madencilik Sanayi ve Ticaret A.Ş.", was established in 2008 for the purpose of building and operating electricity production facility and producing, selling and marketing of electricity.

The name of Enerji Elektrik Üretim Madencilik Sanayi ve Ticaret A.Ş. was changed on 11 April 2013 as "Irmak Yönetim Sistemleri A.Ş."

İkideniz Petrol ve Gaz Sanayi ve Ticaret A.Ş. ("İkideniz Petrol")

İkideniz Petrol was established in 2008 for the purpose of importing, exporting, distributing, operating and production all kinds of crude oil. As of the reporting date, İkideniz Petrol is not operating.

Japan International Enerji Network A. Ş. ("Japan International")

Japan International was established in 2010 for the purpose of exploration and operation of solar power, wind power, geothermal power and other renewable energy resources, selling and marketing of electricity. Japan International is also engaged in processing and distribution of mineral ores. As of the reporting date, Japan International is not operating.

Kızılırmak Enerji Elektrik A.Ş. ("Kızılırmak")

Kızılırmak was established in 2005 in Istanbul for the purpose of importing, exporting, distributing and operating all kinds of natural gas, crude oil and derivatives of these products.

Kosova Çalık Limak Energy SH.A ("KÇLE")

KÇLE was established as a joint venture with a joint agreement between Çalık Enerji, ÇEDAŞ and Limak Yatırım on 17 September 2012 with the participation these three companies by 25%, 25% and 50%, respectively, in the share capital of KÇLE. On 8 May 2013, KÇLE purchased all shares of state-owned enterprise namely Kompania Per Distribuim Dhe Fumizim Me Energji Elektrike SH.A ("KEDS") which is operating in electricity distribution and procurement of electricity in Kosovo.

Çalık Holding Anonim Şirketi and its Subsidiaries

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

1 Reporting entity (continued)

1.1 Entities in energy segment (continued)

LC Electricity Supply and Trading d.o.o ("LC Electricity")

LC Electricity was founded in Serbia in 2014 as a joint venture with a joint agreement between Türkmen'in Altın Asrı Elektrik Enerjisi Toptan Satış A.Ş. ("Türkmen Elektrik") and Limak Yatırım with the participation of these two companies equally by 50%. The purpose of the Company is trading electricity and sales/purchases of goods and services as part of this operation.

Momentum Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. ("Momentum Enerji")

Momentum Enerji was established in 2008 for the purpose of building and operating of electricity power plant, producing, selling and marketing of electricity.

Ortur Elektrik Üretim ve Ticaret Limited Şirketi ("Ortur Elektrik")

Ortur Elektrik was established in 2005 for the purpose of producing and distributing electricity.

Petrotrans Enerji A.Ş. ("Petrotrans Enerji")

Petrotrans Enerji was established in 2010 to operate necessary power plants for the purpose of importing, exporting and trade of crude oil, natural gas and derivatives of these products and distribution, purchasing and selling of natural gas, crude oil and products of natural gas and oil.

Sembol Enerji A.Ş. ("Sembol Enerji")

Sembol Enerji was established in 2010, in Istanbul for the purpose of building, renting and setting electricity production facilities into operation, producing electricity and selling produced electricity and/or electricity capacity to the customers.

TAPCO Petrol Boru Hattı Sanayi ve Ticaret A.Ş. ("TAPCO")

TAPCO was established in 2005, in Istanbul for the purpose of importing, exporting, distributing and operating all kinds of natural gas, crude oil and derivatives of these products.

Türkmen Elektrik

Türkmen Elektrik was established in 2000, in Istanbul for the purpose of distributing and selling electricity.

Vadi Elektrik Üretim Sanayi ve Ticaret Limited Şirketi ("Vadi Elektrik")

Vadi Elektrik was established in 2007 for the purpose of producing and distributing electricity.

Yeşilçay Enerji Elektrik Üretim Sanayi ve Ticaret A.Ş. ("Yeşilçay Enerji")

Yeşilçay Enerji was established in 2008 for the purpose of building and operating of electricity power plant, producing, selling and marketing of electricity. Yeşilçay Enerji also engages in exploration and production of mineral ore.

Yeşilirmak Elektrik Dağıtım A.Ş. ("YEDAŞ")

YEDAŞ was taken over by the Group in 2010 for 30 years with the scope of privatisation in order to distribute electricity energy in Samsun, Ordu, Amasya, Çorum and Sinop.

In accordance with the 3rd clause of 4628 numbered Energy Markets Code, electricity distribution companies must separate its distribution and retail operations from each other until 1 January 2013. In this regard, YEDAŞ that carried out the electricity distribution and retail sales operations in Samsun, Ordu, Amasya, Çorum and Sinop regions, unbundled its distribution and retail sales operations on 31 December 2012 and YEPAŞ started its operations on 1 January 2013.

Çalık Holding Anonim Şirketi and its Subsidiaries

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

1 Reporting entity (continued)

1.1 Entities in energy segment (continued)

Yeşilirmak Elektrik Perakende Satış A.Ş. ("YEPAS")

In accordance with the 3 rd clause of 4628 numbered Energy Markets Code, electricity distribution companies must separate its distribution and retail operations from each other until 1 January 2013. In this regard, YEDAŞ which was engaged in distribution and retail sale of electricity in Samsun, Ordu, Çorum, Amasya and Sinop regions, unbundled its distribution and retail operations on 31 December 2012. YEPAS was founded for retail sales of electricity and electricity related products by partial demerger of YEDAŞ as of 1 January 2013.

1.2 Entities in construction segment

Company Name	Type of partnership	Country
Çalık Gayrimenkul Ticaret A.Ş.	Subsidiary	Turkey
Çalık Construction AB	Subsidiary	Sweden
Çalık İnşaat A.Ş.	Subsidiary	Turkey
Gap İnşaat Construction and Investment Co. Ltd.	Subsidiary	Sudan
Gap İnşaat Dubai FZE	Subsidiary	UAE – Dubai
Gap İnşaat Ukraine Ltd.	Subsidiary	Ukraine
Gap İnşaat Yatırım ve Dış Ticaret A.Ş.	Subsidiary	Turkey
Gap Yapı İnşaat A.Ş.	Subsidiary	Turkey
Varyap Varlıbaşlar Yapı Sanayi ve Turizm Yatırımları A.Ş.		
- Gap İnşaat Yatırım ve Dış Ticaret A.Ş. Ortak Girişimi	Joint operation	Turkey
Kentsel Dönüşüm İnşaat A.Ş.	Subsidiary	Turkey

Çalık Gayrimenkul Ticaret A.Ş. ("Çalık Gayrimenkul")

Çalık Gayrimenkul was founded in 2005 in Istanbul for the purpose of developing real estates.

Çalık İnşaat A.Ş. ve Kentsel Dönüşüm İnşaat A.Ş.

Subsidiaries of Gap İnşaat namely, Çalık İnşaat A.Ş. ve Kentsel Dönüşüm İnşaat A.Ş. were established for the purpose of engage in constructing projects in Turkey.

Gap İnşaat Yatırım ve Dış Ticaret A.Ş. ("Gap İnşaat")

Gap İnşaat was established in 1996 in Istanbul, Turkey in order to provide construction, contracting and decoration businesses both within Turkey and abroad. Gap İnşaat also operates in mining of all kinds of minerals, marble, lime, clay, coal and stone quarries and trading of stone cutter, spare parts and glazed ceramic tiles both within the country and abroad provided that the necessary permits are granted. Gap İnşaat has six branches in Turkmenistan, Saudi Arabia, Iraq, Qatar, and Libya which were established to conduct several construction projects.

Çalık Construction AB, Gap İnşaat Ukraine Ltd, Gap İnşaat Dubai FZE (UAE), Gap İnşaat Construction and Investment Co. Ltd.

Subsidiaries of Gap İnşaat namely, Gap İnşaat Ukraine Ltd., Gap İnşaat Dubai FZE, Çalık Construction AB and Gap İnşaat Construction and Investment Co. Ltd. were established for the purpose of engage in constructing projects in the countries where they operate.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

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1 Reporting entity (continued)

1.2 Entities in construction segment (continued)

Gap Yapı İnşaat A.Ş. ("Gap Yapı")

Gap Yapı was founded in 2007 for the purpose of operating in construction, decoration businesses in Turkey and abroad, making research, feasibility, project designing, city planning, development planning, consultancy activities related with these businesses and also collaborating with other domestic, foreign companies dealing with same businesses whether domestic or foreign and private or governmental.

Varyap Varlıbaşlar Yapı Sanayi ve Turizm Yatırımları A.Ş.- Gap İnşaat Yatırım ve Dış Ticaret A.Ş. Ortak girişimi ("Varyap-Gap Ortak Girişimi")

Varyap-Gap Ortak Girişimi was founded on 14 April 2010 for the purpose of construction of "Metropol İstanbul" project and sharing revenue equally of the real estate sales with a joint agreement signed between Varyap Varlıbaşlar Yapı Sanayi ve Turizm Yatırımları Ticaret A.Ş. ("VARYAP") and Gap İnşaat with a participation rate of 50% equally.

1.3 Entities in textile segment

Company Name	Type of partnership	Country
Balkan Dokuma TGPJ	Associate	Turkmenistan
Çalık Alexandria For Readymade Garments	Subsidiary	Egypt
Çalık Korea Inc.	Subsidiary	Korea
Çalık Pamuk Doğal ve Sentetik Elyaf Ticaret A.Ş.	Subsidiary	Turkey
Çalık USA	Subsidiary	USA
Gap Güneydoğu FZE Jebel Ali Free Zone	Subsidiary	UAE- Dubai
Gap Güneydoğu Tekstil Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Gap Türkmen-Türkmenbaşı Jeans Kompleksi	Associate	Turkmenistan
Serdar Pamuk Egrigi Fabriği ÇJB	Associate	Turkmenistan
Türkmenbaşı Tekstil Kompleksi	Associate	Turkmenistan

Balkan Dokuma TGPJ ("Balkan Dokuma")

Balkan Dokuma was established in 2000 for the purpose of manufacturing and marketing yarn.

Çalık Alexandria For Readymade Garments ("Çalık Alexandria")

Çalık Alexandria was established in 2006 in Egypt for the purpose of engaging in the business of manufacturing and marketing ready wear, yarn and textures.

Çalık Korea Inc.

Çalık Korea Inc. was established in 2007 for the purpose of importing and exporting textile and ready wear, and also distribution and transportation services.

Çalık Pamuk Doğal ve Sentetik Elyaf Ticaret A.Ş. ("Çalık Pamuk")

Çalık Pamuk was founded in 2011 for the purpose of conducting international cotton trade activities and rendering consultancy services in all matters related to cotton.

Çalık USA and Gap Güneydoğu FZE Jebel Ali Free Zone ("Gap Güneydoğu FZE")

Çalık USA and Gap Güneydoğu FZE are operating in the trade of textile products in the USA and UAE-Dubai, respectively.

Gap Güneydoğu Tekstil Sanayi ve Ticaret A.Ş. ("Gap Güneydoğu")

Gap Güneydoğu was established in 1987, in Turkey and conducts its production operation in Malatya Industrial Area. Gap Güneydoğu has a branch, namely Gap Güneydoğu Mersin Free Zone, that is engaged in the importing and exporting of textile products.

Çalık Holding Anonim Şirketi and its Subsidiaries

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1 Reporting entity (continued)

1.3 Entities in textile segment (continued)

Gap Türkmen -Türkmenbaşı Jeans Kompleksi ("TJK")

TJK was established as a joint venture of GAP Tekstil and the Ministry of Textiles Industry of Turkmenistan in 1995 within the frame of Turkmenistan regulations for the purpose of yarn and denim fabric production and marketing. TJK has a denim fabric and jean factory and makes domestic and foreign sales to USA and European countries.

Serdar Pamuk Egrigi Fabriği ÇJB ("Serdar Pamuk")

Serdar Pamuk was established in 1995 in Turkmenistan for the purpose of producing denim fabric in textile industry.

Türkmenbaşı Tekstil Kompleksi ("TTK")

TTK was established in 1997 in Turkmenistan. Main operations of TTK are production and marketing of yarn.

1.4 Entities in marketing segment

Company Name	Type of partnership	Country
Gap Pazarlama A.Ş.	Subsidiary	Turkey
Gap Pazarlama FZE Jebel Ali Free Zone	Subsidiary	UAE – Dubai
Gappa Inc.	Subsidiary	USA

Gap Pazarlama A.Ş. ("Gap Pazarlama")

Gap Pazarlama was established in 1994 in order to supply goods used in the production and the domestic or foreign projects carried out mainly by the Group and other non-group companies. Gap Pazarlama has a branch in Mersin Free Zone, which is engaged in the importation and exportation of textile products.

Gap Pazarlama FZE Jebel Ali Free Zone ("Gap Pazarlama FZE")

Gap Pazarlama FZE was established in 2004 in United Arab Emirates ("UAE") for the purpose of importing and exporting of trading goods.

Gappa Inc.

Gappa Inc. was established to operate in the international markets for selling of the home textiles and ready-to-wear garments.

1.5 Entities in telecommunication segment

Company Name	Type of Partnership	Country
Albtelecom Sh.a.	Subsidiary	Albania
Cetel Çalık Telekomünikasyon Hizmetleri A.Ş.	Subsidiary	Turkey
Cetel Telekom İletişim Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Telemed Telekom A.Ş.	Subsidiary	Turkey
Yenikom Telekomünikasyon Hizmetleri A.Ş.	Subsidiary	Turkey

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

1 Reporting entity (continued)

1.5 Entities in telecommunication segment (continued)

Albtelecom Sh.a. ("Albtelecom")

Albtelecom was established in 1992 with a company name Albtelecom Telekom Shqiptar and transformed into a joint-stock company on 23 February 1999. Until 28 September 2007, Government of Albania as represented by the Ministry of Economy, Trade and Energy was the sole shareholder of the company. As of 28 September 2007, CT Telecom Sh.a, a subsidiary of Cetel Telekom İletişim Sanayi ve Ticaret A.Ş. ("Cetel Telekom") acquired 76% of the Albtelecom's share capital. Albtelecom is the unique national operator providing wired telephone service in Albania. In 2013, CT Telecom Sh.a merged with Albtelecom under Albtelecom.

Albtelecom merged with its subsidiary Eagle Mobile Sh.a, which provides local, mobile and terrestrial communication services in Albania, on 1 February 2013.

Cetel Çalık Telekomünikasyon Hizmetleri A.Ş. ("Cetel Çalık")

Cetel Çalık was established in 2004 in Istanbul for the purpose of providing various services in the fields of telecommunication, communication, press, and internet.

Cetel Telekom

Cetel Telekom was established in 2007 in Istanbul. The principal activities are telecommunication, multimedia, internet and data transportation.

Telemed Telekom A.Ş. ("Telemed")

Telemed was established in 2010 for the purpose of providing all kind of services in the fields of telecommunication, communication, media, internet, and voice and data communication.

Yenikom Telekomünikasyon Hizmetleri A.Ş. ("Yenikom")

Yenikom was established in 2008 for the purpose of building and managing electronic communication network.

1.6 Entities in banking and finance segment

Company Name	Type of partnership	Country
Aktif Yatırım Bankası A.Ş.	Subsidiary	Turkey
Albania Leasing Company	Associate	Albania
Banka Kombetare Tregtare Sh.a	Subsidiary	Albania
Çalık Finansal Hizmetler A.Ş.	Subsidiary	Turkey
Kazakhstan Ijara Company KIC Leasing	Associate	Kazakhstan
Sigortayeri Sigorta ve Readürans Brokerlığı A.Ş.	Subsidiary	Turkey

Aktif Yatırım Bankası A.Ş. ("Aktifbank")

Aktifbank was founded as an investment and development bank in 1999 for the purpose of providing all kind of transactions related with investment, project finance and marketable securities and also to provide all kinds of investment banking services. However, Aktifbank is not authorised to accept deposits.

Name of Aktifbank was changed to "Aktif Yatırım Bankası A.Ş." from "Çalık Yatırım Bankası A.Ş." on 1 August 2008.

Albania Leasing Company ("Albania Leasing")

Main activity of Albania Leasing is financial leasing. As of the reporting date, Albania Leasing is a non-operating company.

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1 Reporting entity (continued)

1.6 Entities in banking and finance segment (continued)

Banka Kombetare Tregtare Sh.a ("BKT")

BKT was founded in 1998 by obtaining banking license and engages in banking activities in Albania.

Çalık Finansal Hizmetler A.Ş. ("Çalık Finansal Hizmetler")

Çalık Finansal Hizmetler was established in 2003 as Aktifbank's cooperation with Şekerbank T.A.Ş. and Çalık Holding for their projects of investing in domestic and foreign banks. In 2008, Çalık Holding acquired shares held by Şekerbank T.A.Ş..

Kazakhstan Ijara Company KIC Leasing

Kazakhstan Ijara Company KIC Leasing was founded in 2013, in Kazakhstan for the purpose of operating in financial leasing sector.

Sigortayeri Sigorta ve Readürans Brokerliği A.Ş. ("Sigortayeri")

Sigortayeri provides insurance products through the virtual and physical multi-channel structure that are shaped according to the needs of potential policyholders in order to operate insurance brokerage.

1.7 Entities in other segments

Company Name	Type of partnership	Country
Aktif Yatırım Bankası Sukuk Varlık Kiralama A.Ş.	Associate	Turkey
Asset Aktif Sportif ve Sanatsal Etkinlik Hizmetleri Ticaret A.Ş.	Subsidiary	Turkey
Çalık Hava Taşımacılık Turizm Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Çalık Turizm Kültür İnşaat Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Dore Altın ve Madencilik A.Ş.	Subsidiary	Turkey
E-Kent Elektronik Ücret Toplama Sistemleri A.Ş.	Subsidiary	Turkey
Emlak Girişim Danışmanlığı A.Ş.	Subsidiary	Turkey
E-Post Elektronik Perakende Otomasyon Satış ve Ticaret A.Ş.	Subsidiary	Turkey
İFM İstanbul Finans Merkezi İnşaat Taahhüt A.Ş.	Associate	Turkey
Kartaltepe Madencilik Sanayi ve Ticaret A.Ş.	Joint venture	Turkey
Lidya Madencilik Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
N-Kolay Mağazacılık A.Ş.	Subsidiary	Turkey
Pavo Teknik Servis Elektrik ve Elektronik Sanayi ve Ticaret A.Ş.	Subsidiary	Turkey
Polimetal Madencilik Sanayi ve Ticaret A.Ş.	Joint venture	Turkey
Tunçpınar Madencilik Sanayi ve Ticaret A.Ş.	Joint venture	Turkey
Tura Madencilik A.Ş.	Subsidiary	Turkey

Aktif Yatırım Bankası Sukuk Varlık Kiralama A.Ş. ("Aktif VKŞ")

Aktif VKŞ was established in 2013 in Istanbul for the purpose of issuing rent certificate in accordance with the relevant regulations promulgated by Capital Market Board of Turkey.

Asset Aktif Sportif ve Sanatsal Etkinlik Hizmetleri Ticaret A.Ş. ("Asset Aktif")

Asset Aktif was established in 2014 in Istanbul for the purpose of providing ticket sale and organization management for football and art activities.

Çalık Hava Taşımacılık Turizm Sanayi ve Ticaret A.Ş. ("Çalık Hava")

Çalık Hava was established in 2010 in Istanbul for the purpose of providing every kind of air transportation activities, scheduled or unscheduled domestic and abroad air transportation, arranging passenger and freight cargo transportation.

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1 Reporting entity (continued)

1.7 Entities in other segments (continued)

Çalık Turizm Kültür İnşaat Sanayi ve Ticaret A.Ş. ("Çalık Turizm")

Çalık Turizm was established in December 2004 in Istanbul for the purpose of efficient utilisation of immovable assets related to establishment of mega-cities held by the municipality enterprises. Çalık Turizm is involved with the construction, establishment, operation and rental of contemporary residential areas, trade and tourism centers, international and local press centers, mass housing, subways, bridges, and highways.

Dore Altın ve Madencilik A.Ş. ("Dore Altın")

Dore Altın was established in 2010 in Istanbul for the purpose of mining, operating, purchasing and renting underground and surface mine and natural resources in accordance with existing regulations, to purchase prospecting license, to demand operating right and to take over mining rights.

E-Kent Elektronik Ücret Toplama Sistemleri A.Ş. ("E-Kent")

E-Kent was established in 2002 and the main activity is modernisation of public transportation and suggesting new electronic solutions about electronic ticket and prosecution system.

Emlak Girişim Danışmanlığı A.Ş. ("Emlak Girişim")

Emlak Girişim engages in real estate projects, structures and systems, and in this regard makes active counseling and guidance.

E-Post Elektronik Perakende Otomasyon Satış ve Ticaret A.Ş. ("E-Post")

E-Post was established in 2009 in Istanbul for the purpose of providing tailor-made postcard designing services.

IFM İstanbul Finans Merkezi İnşaat Taahhüt A.Ş. ("IFM")

IFM operates in special projects, land recreation, area sales and revenue sharing provisions for the construction of the immovable, construction and sales activity is independent sections.

Kartaltepe Madencilik Sanayi ve Ticaret A.Ş. ("Kartaltepe")

Kartaltepe was established in 2011 as a wholly owned subsidiary of YAMAS. Kartaltepe is registered in Ankara, Turkey and is engaged in the operation of mining in Erzincan region. As at reporting date, Kartaltepe is a joint venture of Lidya Madencilik Sanayi ve Ticaret A.Ş. ("Lidya Maden") and YAMAS with an ownership structure of 50% and 50%, respectively.

Lidya Maden

Lidya Maden was established in 2006 in Istanbul to explore all kind of metal and mineral products and to participate in mining companies.

N-Kolay Mağazacılık A.Ş. ("N-Kolay")

N-Kolay was established in 2014 in Istanbul for the purpose of providing bill payment point service to its customers.

Pavo Teknik Servis Elektrik ve Elektronik Sanayi ve Ticaret A.Ş. ("Pavo")

Pavo operates in the area of new generation payment recorders import, manufacture, sales and technical services.

Polimetal Madencilik Sanayi ve Ticaret A.Ş. ("Polimetal")

Polimetal was incorporated in 2011 as a wholly owned subsidiary of Yeni Anadolu Mineral Madencilik Sanayi ve Ticaret Ltd. Şti. ("YAMAS"). Polimetal is registered in Ankara, Turkey and is engaged in the development and operation of mining assets. As at reporting date, Polimetal is a joint venture of Lidya Maden and YAMAS with an ownership structure of 80% and 20%, respectively.

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1 Reporting entity (continued)

Tunçpınar Madencilik Sanayi ve Ticaret A.Ş. ("Tunçpınar")

Tunçpınar was established in 2011 as a wholly owned subsidiary of YAMAS. Tunçpınar is registered in Ankara, Turkey and is engaged in the operation of mining in Tunceli region. As at reporting date, Tunçpınar is a joint venture of Lidya Maden and YAMAS with an ownership structure of 50% and 50%, respectively.

Tura Madencilik A.Ş. ("Tura")

Tura was established in 2010 in Istanbul to mine, operate, buy and rent underground and aboveground mine and natural resources in accordance with existing regulations.

2 Basis of preparation

a) Statement of compliance

Çalık Holding entities operating in Turkey maintain their books of account and prepare their statutory financial statements in Turkish Lira ("TL") in accordance with the Accounting Practice Regulations as promulgated by the Banking Regulatory and Supervision Agency ("BRSA") (applicable to the financial institutions), Turkish Uniform Chart of Accounts, Turkish Commercial Code and Tax Legislation.

Çalık Group's foreign entities maintain their books of account and prepare their statutory financial statements in accordance with the related legislation and generally accepted accounting principles applicable in the countries they operate.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

The consolidated financial statements were approved by the Group management on 6 April 2014. Çalık Holding's General Assembly and the other regulatory bodies have the power to amend the statutory financial statements which after their issue.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis and for the Group's Turkish entities as adjusted for the effects of inflation that lasted by 31 December 2005, except for the followings:

- derivative financial instruments are measured at fair value,
- available-for-sale financial assets are measured at fair value,
- assets and liabilities held for sale are measured at the lower of their carrying amount and fair value less costs to sell,
- non-derivative financial assets at fair value through profit or loss are measured at fair value,
- Investment property is measured at fair value.

The methods used to measure the fair values are discussed further in Note 33.

c) Functional and presentation currency

The accompanying consolidated financial statements are presented in TL which is Çalık Group's functional currency. Except as otherwise indicated, financial information presented in TL has been rounded to the nearest thousand.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

2 Basis of preparation (continued)

d) Changes in accounting policies, estimates and error

The valuation principles and accounting policies have been applied consistently to all periods presented in these consolidated financial statements. Material changes in accounting policies and material accounting errors are adjusted retrospectively and prior periods' financial statements are restated. If the changes in accounting estimates are related with a period, they are applied in the period they are related with and if the changes are related with the future periods, they are applied both in the period the change is made and prospectively in the future periods.

e) Use of estimates and judgements

The preparation of the consolidated financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas at estimation uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in the following notes:

- Note 3 (f) and (g) – Useful lives of property and equipment and intangible assets including goodwill
- Note 9 – Financial investments
- Note 10– Trade receivables and payables
- Note 14 – Prepayments and deferred revenue
- Note 18 – Investment property
- Note 22 – Derivatives
- Note 24 – Provisions
- Note 26 – Taxation
- Note 33 – Financial instruments – Fair values and risk management

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Notes to Consolidated Financial Statements

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group.

(a) Correction of material errors and reclassifications

Material errors and reclassifications are corrected, retrospectively; restating the prior period financial statements.

Corrections

On 28 June 2013, Doğu Aras purchased all share of Aras Elektrik Dağıtım A.Ş. ("EDAŞ") and Aras Elektrik Perakende Satış A.Ş. ("EPAŞ") by paying an amount of TL 247.337 (equivalent of USD 128.500) as a result of a tender in the privatisation process. After this acquisition, Doğu Aras's identifiable assets and liabilities had been recognised based on their provisionally estimated fair values. As at the reporting date, the Group finalized the valuation of the Doğu Aras and restated its consolidated financial statement by decreasing "liabilities from equity accounted investees" account by TL 21.089 as at 31 December 2013.

As a result of this correction, "operating profit", "profit before tax" and "net profit" increased by TL 21.089 in the restated statement of profit or loss and other comprehensive income for the year ended 31 December 2013.

Above mentioned correction was taken into consideration while preparing the consolidated statement of cash flows for the year ended on 31 December 2013.

Reclassifications

The Group has made certain reclassifications among the equity items that do not result in any change in the total amount of the consolidated equity. As a result of these reclassifications, "restricted reserves", "loss for the period" attributable to the owners of the Company and "non-controlling interests" increased by TL 4.611, TL 90.474 and TL 108.846, respectively (1 January 2013: an increase in "restricted reserves", "profit for the year" and "non-controlling interests" by TL 4.611, TL 23.298 and TL 178.231), whereas "retained earnings" attributable to the owners of the Company decreased by TL 182.842 (1 January 2013: decreased by TL 206.140) as at 31 December 2013.

(b) Basis of consolidation

The accompanying consolidated financial statements include the accounts of the parent company, Çalık Holding, its subsidiaries and joint arrangements and associates on the basis set out in sections below. The financial statements of the entities included in the consolidation have been prepared as at the date of the consolidated financial statements.

i) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

Çalık Holding Anonim Şirketi and its Subsidiaries

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As at and for the Year Ended 31 December 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3 Significant accounting policies (continued)

(b) Basis of consolidation (continued)

i) Business combinations (continued)

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transactions costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

ii) Non-controlling interests

For each business combination, the Group measures any non-controlling interests in the acquiree at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

iii) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls a business when exposure, or rights, to variable returns due to its involvement with the investee and the ability to use its power over the investee to affect the amount of the investor's returns. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

iv) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost.

v) Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group equity and any gain/loss arising is recognised directly in equity.

Çalık Holding Anonim Şirketi and its Subsidiaries

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As at and for the Year Ended 31 December 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3 Significant accounting policies (continued)

(b) Basis of consolidation (continued)

vi) Associates (Equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Investments in associates are accounted for using the equity method and are initially recognised at cost. The cost of investments includes transaction costs.

The consolidated financial statements include the Group's share of profit and loss and other comprehensive income of associates, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associates, the carrying amount of that interest, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

vii) Joint arrangements

Joint arrangements are arrangements of which the Group has joint control, established by contracts requiring unanimous consent for decisions about the activities that significantly affect the arrangements' returns. They are classified and accounted for as follows:

- Joint operation – when the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement, it accounts for each of its assets, liabilities and transactions, including its share of those held or incurred jointly, in relation to the joint operation.
- Joint venture (equity-accounted investees) – when the Group has rights only to the net assets of the arrangements, it accounts for its interest using the equity method.

The accompanying consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of joint ventures, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in a joint venture, the carrying amount of the investment, including any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

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3 Significant accounting policies (continued)

(b) Basis of consolidation (continued)

viii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of Group's interest in the investee.

Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment. Carrying value of shares owned by the Group and dividends arising from these shares has been eliminated in equity and profit or loss accounts.

In consolidation of operating results and financial positions of subsidiaries whose functional currency is other than TL, main consolidation transactions are made such as elimination of related party balances and transactions. But, a monetary asset (or liability) of related parties regardless of short-term or long-term (except for monetary items which are part of net investment of the Group in its subsidiaries whose functional currency is different than TL) can not be eliminated with related party liability (or related party asset) without presenting results of fluctuation of foreign currencies in consolidated financial statements. Because, a monetary item provides obligation of translation of any currency to other currency and makes the Group exposed to gain or losses arising from fluctuation of foreign currencies. Correspondingly, these kind of foreign exchange differences are recognized in profit or loss of consolidated financial statements of the Group.

(c) Foreign currency

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between the amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in other comprehensive income are reclassified to profit or loss), a financial liability designated as a hedge of the net investment in a foreign operation to the extent that the hedge is effective; or qualifying cash flow hedges to the extent the hedge is effective.

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3 Significant accounting policies (continued)

(c) Foreign currency (continued)

ii) Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to TL at exchange rates at the reporting date. The income and expenses of foreign operations are translated to TL at average exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportion of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operations is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented within equity in the translation reserve. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

d) Financial instruments

i) Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held to maturity financial assets and loans and receivables, and available-for-sale financial assets.

Çalık Holding Anonim Şirketi and its Subsidiaries

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3 Significant accounting policies (continued)

d) Financial instruments (continued)

i) Non-derivative financial assets (continued)

Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. These include investments in equity instruments. Financial assets are designated at fair value through profit or loss if the Group manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Group's risk management or investment strategy. Upon initial recognition attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value and changes therein, which takes into account any dividend income, are recognised in profit or loss.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses. Loans and receivables comprise trade receivables including service concession receivables and due from customers for contract work, receivables related to finance sector operations (including banking loans and advances to banks and customers and finance lease receivables) and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, bank deposits and other liquid assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value.

Service concession arrangements

The Group recognises a financial asset arising from a service concession arrangement when it has an unconditional contractual right to receive cash or another financial asset from or at the direction of the grantor for the construction or upgrade services provided. Such financial assets are measured at fair value upon initial recognition. Subsequent to initial recognition the financial assets are measured at amortised cost.

If the Group is paid for the construction services partly by a financial asset and partly by an intangible asset, then each component of the consideration received or receivable is accounted for separately and is recognised initially at the fair value of the consideration received or receivable.

Finance lease receivables

Leases where the entire risks and rewards incident to ownership of an asset are substantially transferred to the lessee are classified as finance leases. A receivable at an amount equal to the present value of the lease payments, including any guaranteed residual value, is recognised. The difference between the gross receivable and the present value of the receivable is unearned finance income and is recognised over the term of the lease using the effective interest rate method. Finance lease receivables are included in receivables related to finance sector operations.

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3 Significant accounting policies (continued)

d) Financial instruments (continued)

i) Non-derivative financial assets (continued)

Held to maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held to maturity financial assets are measured at amortised cost using the effective interest method less and impairment losses.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale and that are not classified in loans and receivables, at fair value through profit or loss and held to maturity of financial assets. The Group's investments in certain debt and equity instruments are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale equity instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve, except that any instrument that does not have a quoted market price in an active market and whose fair value cannot be reliably measured is stated at cost. When an instrument is derecognised, the cumulative gain or loss in other comprehensive income is transferred to profit or loss.

Other

Other non-derivative financial assets are measured at amortised cost using the effective interest rate method, less any impairment losses.

ii) Non-derivative financial liabilities

The Group initially recognises all financial liabilities on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into other financial liabilities which mainly are comprises of loans and borrowings, trade payables, payables related to finance sector operations, payables related to employee benefits and other payables.

Such financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition these financial liabilities are measured at amortised cost using the effective interest method.

Çalık Holding Anonim Şirketi and its Subsidiaries

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3 Significant accounting policies (continued)

d) Financial instruments (continued)

iii) Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

The Group does not engage in derivative contracts qualified for hedge accounting. Therefore, on initial recognition, derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted in profit or loss as incurred.

iv) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

e) Repurchase transactions

The Group enters into purchases/sales of investments under agreements to resell/repurchase substantially identical investments at a certain date in the future at a fixed price. Investments purchased subject to commitments to resell them at future dates are not recognised. The amounts paid are recognised as "Receivables related to finance sector operations" in the accompanying consolidated financial statements. The receivables are shown as collateralized by the underlying security. Investments sold under repurchase agreements continue to be recognised in the consolidated statement of financial position and are measured in accordance with the accounting policy for either assets held for trading, held to maturity or available-for-sale as appropriate. The proceeds from the sale of the investments are reported as funds from repo transactions presented under "Payables related to finance sector operations". Income and expenses arising from the repurchase and resale agreements over investments are recognised on an accruals basis over the period of the transaction and are included in "interest income" or "interest expense" presented under "revenue from finance sector operations" and "cost of revenue from finance sector operation" respectively.

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Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3 Significant accounting policies (continued)

f) Property, plant and equipment

i) Recognition and measurement

The costs of items of property, plant and equipment of Çalık Group's Turkish entities purchased before 31 December 2005 are restated for the effects of inflation in TL units current at 31 December 2005 pursuant to IAS 29. Property, plant and equipment purchased after this date are recognised at their historical cost. Accordingly, property, plant and equipment of the Group are carried at costs, less accumulated depreciation and impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- cost of materials and direct labor;
- any other costs directly attributable to bringing the asset to a working condition for its intended use;
- when the Group has an obligation to remove the assets or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the asset) is recognised in "Gain from investing activities" or "Loss from investing activities" under profit or loss.

ii) Reclassification to investment property

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Property that is being constructed for future use as investment property is accounted for at fair value. Any gain arising on remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss.

iii) Subsequent costs

Subsequent expenditure is capitalised only when it is probable that the future economic benefits associated with the expenditure will flow to the Group. Ongoing repairs and maintenance is expensed as incurred.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

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3 Significant accounting policies (continued)

f) Property, plant and equipment (continued)

iv) Depreciation

Items of property, plant and equipment are depreciated from the date that they are available for use or, in respect of self-constructed assets, from the date that the asset is completed and ready for use.

Depreciation is calculated to write off the cost of items of property, plant and equipment using the straight-line basis over their estimated useful lives. Depreciation is generally recognised in profit or loss, unless the amount is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Land is not depreciated.

The estimated useful lives for the current and comparative years of significant items of property and equipment are as follows:

<u>Description</u>	<u>Year</u>
Buildings	5-50
Machinery and equipments	5-40
Vehicles	5-10
Furniture and fixtures	3-15
Other tangible assets	5-15
Leasehold improvements	3-10

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives, also on a straight-line basis.

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(g) Intangible assets and goodwill

i) Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see note 3 b) i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses (see accounting policy 3.(k) ii). In respect of equity accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and any impairment loss is allocated to the carrying amount of the equity-accounted investee as a whole.

ii) Other intangible assets

Other intangible assets of the Group mainly consist of licences for oil exploration, hydroelectric power generation, wind power generation and liquefied natural gas import, electricity distribution rights and computer software acquired by the Group, which have finite useful lives, and are measured at cost less accumulated amortisation and any accumulated impairment losses, if any.

iii) Subsequent expenditures

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated and brands, is recognised in profit or loss as incurred.

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3 Significant accounting policies (continued)

g) Intangible assets and goodwill (continued)

v) Amortisation

Except for goodwill recognised in business combinations, intangible assets are amortised on a straight-line basis in profit or loss over their estimated useful lives, from the date that they are available for use.

Amortisation of electricity distribution rights is based on the fair value of the asset which is acquired through business combination under scope of IFRS 3 "Business Combinations". The remaining amortisation period for electricity distribution rights are 26 years which is the service concession period of YEDAŞ as it was acquired by ÇEDAŞ. Licences and other intangible assets including computer software are amortised between 10 and 50 years and 2 and 10 years, respectively.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

h) Investment property

Investment property is property held either to earn rental income or for capital appreciation or for both but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes. Investment property is measured at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation surplus is transferred to retained earnings.

When the use of a property changes such that it is reclassified as property, plant and equipment or inventories, its fair value at the date of reclassification becomes its cost for subsequent accounting.

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Notes to Consolidated Financial Statements

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3 Significant accounting policies (continued)

i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of trading goods is based on the weighted average method, and includes expenditure and other costs incurred in bringing them to their existing location and condition.

Cost of trading properties are determined on cost or deemed cost method by the entities operating in construction business. Trading properties comprised lands that are held for construction projects to sell and cost of buildings that are held for trading purposes.

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

j) Construction contracts in progress / deferred revenue

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. Construction contracts in progress is measured at cost plus profit recognised to date less progress billings and recognised losses. Cost includes all expenditures related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

In the consolidated statement of financial position, construction contracts in progress for which costs incurred plus recognised profits exceed progress billings and recognised losses are presented as trade receivables. Contracts for which progress billings and recognised losses exceed costs incurred plus recognised profits are presented as deferred revenue. Advances received from customers are presented as deferred revenue.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately. Revenue measurements are based on estimates that are revised as events and uncertainties are resolved. Cost and revenues may be revised based on variations to the original contract, penalties on delays, cost escalation clauses and other similar items. These revisions are recognised in the consolidated financial statements as they are incurred. Revenue incentive are recognised as revenue to the extent that the amount can be measured reliably and its receipt is considered probable.

When the outcome of a construction contract cannot be estimated reliably, revenue is recognised to the extent of costs incurred that are probable of recovery. Costs are recognised as an expense as they are incurred.

k) Impairment

i) Non-derivative financial assets

A financial asset not classified as at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably. Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

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3 Significant accounting policies (continued)

k) *Impairment (continued)*

i) *Non-derivative financial assets (continued)*

Available-for sale financial assets

Impairment losses on available-for-sale investment securities are recognised by reclassifying the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is reclassified from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in cumulative impairment losses attributable to application of the effective interest method are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed, by the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

For an investment in unquoted equity instruments carried at cost because their fair value cannot be measured reliably, impairment losses is not reversed.

Financial assets measured at amortised cost

The Group considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment. Collective assessment is carried out by grouping together assets with similar risk characteristics. In assessing collective impairment, the Group uses historical information on the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than suggested by historical trends

Loans and receivables

The recoverable amounts of loans and receivables are calculated as the present value of the expected future cash flows discounted at the instruments' original effective interest rates. Short-term balances are not discounted.

Specific allowances are made against the carrying amounts of loans and receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these assets to their recoverable amounts. In assessing the recoverable amounts of the assets, the estimated future cash flows are discounted to their present value. Portfolio basis allowances are maintained to reduce the carrying amount of portfolios of similar assets to their estimated recoverable amounts at the reporting date. Increases in the allowance account are recognised in profit or loss. If, in a subsequent period, the amount of impairment loss decreases and the decrease can be linked objectively to an event occurring after the write down, the write-down or allowance is reversed through profit or loss.

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3 Significant accounting policies (continued)

k) Impairment (continued)

i) Non-derivative financial assets (continued)

Financial assets measured at amortised cost (continued)

Loans and receivables (continued)

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit ("CGU") exceeds its recoverable amount.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Subject to an operating segment ceiling test, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Equity-accounted investees

An impairment loss in respect of an equity-accounted investee is measured by comparing the recoverable amount of the investment with its carrying amount. An impairment loss is recognised in profit or loss, and is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3 Significant accounting policies (continued)

l) Assets held for sale or distribution

Non-current assets, or disposal groups comprising assets and liabilities, are classified as held for sale if it is highly probable that they will be recovered primarily through sale or distribution rather than through continuing use.

Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group, are measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is allocated first to goodwill, and then to the remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets and deferred tax assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains and losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Once classified as held for sale, intangible assets and property, plant and equipment are not amortised or depreciated, and equity accounted investee is no longer equity accounted.

m) Employee benefits

i) Reserve for employee severance indemnity

Reserve for employee severance indemnity represents the present value of the estimated future probable obligation of the Group arising from the retirement of the employees of the Group's entities operating in Turkey and calculated in accordance with the Turkish Labour Law. It is computed and reflected in the consolidated financial statements on an accrual basis as it is earned by serving employees. The computation of the liabilities is based upon the retirement pay ceiling announced by the Government. The ceiling amounts applicable for each year of employment were TL 3.44 and TL 3.25 at 31 December 2014 and 2013, respectively.

IFRSs require actuarial valuation methods to be developed to estimate the entity's obligation under defined benefit plans. The total liability for employee severance benefit was calculated by an independent actuary based on past service cost methodology using the observable statistical market data such as mortality, inflation and interest rates or retirement pay ceilings applicable to the relevant periods and assumptions derived from the specific historic date of the Group such as retention and employee turnover rates or salary increase rates.

Income ceiling calculation for the Group's entities holding electricity distribution and retail sale license per the service concession agreement is updated yearly in accordance with Energy Market Regulatory Board ("EMRA") decision No. 2991 dated 28 December 2010 in order to compensate the expenditures (such as employee benefit costs) relevant to the operations performed under these licenses as they incurred. Accordingly, the employee severance indemnity amounting to TL 4.450 (31 December 2013: TL 5.898) had no effect on the Group's consolidated financial statements since the same amount will be compensated by the Government as a adjusting item in the following income ceiling calculation.

Actuarial gains/losses are comprised of adjustment of difference between actuarial assumptions and results and change in actuarial assumptions. As a result of the adoption of IAS 19 (2011), all actuarial differences have to be recognised in other comprehensive income. However due to insignificance of the balances, the Group has not recognised any actuarial differences on reserve for employee severance indemnity in other comprehensive income.

Reserve for employee severance indemnity is not subject to any statutory funding.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

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3 Significant accounting policies (continued)

m) Employee benefits (continued)

i) Reserve for employee severance indemnity (continued)

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due. The Group's banking subsidiary in Albania makes compulsory social security contributions that provide pension benefits for employees upon retirement. The local authorities are responsible for providing the legally set minimum threshold for pensions in Albania under a defined contribution pension plan.

iii) Defined benefit plans

The Group's banking subsidiary in Albania created a fully employer sponsored pension plan fund-Staff Support Program during 2002. The amount charged to this fund (SSP) was decided as 5% of yearly budgeted personnel salary expenses.

The amount due to employees based on the above plan would be grossed up by the interest that will accrue from the date the employees leave the Group's banking subsidiary in Albania until their retirement. It would be paid to employees only when they reach the Albanian statutory retirement age, in monthly instalments equal to a minimum of 75% of their state monthly pension until the accumulated fund for the employee is consumed.

Based on the Board of Directors resolution effective on 30 September 2010, the Group's banking subsidiary in Albania stopped the investment in this fund (SSP), by transforming it into the Staff Retention Credit Program (SRCP). The demographic changes in labour force during the last ten years and the employees' average age at 31, where 80% of employees are below the age of 40, has resulted in SSP not being attractive for most employees of the Group's banking subsidiary in Albania, as it can only be enjoyed at retirement. In contrast, SRCP will be more readily beneficial for all staff of the Group's banking subsidiary in Albania, as it will provide consumer and home loans with preferential terms. The entire due amount calculated for eligible employees in Staff Support Program has been frozen on the same date. The frozen amount due to change of SSP into SRCP on 30 September 2010 and the corresponding annual interest that will be gained by the investment in AAA sovereign bonds in the future until retirement age, is recorded as a liability by the Group's banking subsidiary in Albania.

iv) Vacation pay liability

Short-term employee benefit obligations are consisting of reserve for the vacation pay liability due to the earned and unused vacation rights of its employees of the Group's Turkish entities, and measured on an undiscounted basis and are recognised in profit or loss as the related service is provided.

n) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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3 Significant accounting policies (continued)

n) Provisions (continued)

i) Provisions for EMRA regulations

In case of incompliance with the Electricity Market Act numbered 6446 which is effective after the publication on the Official Gazette dated 30 March 2013, numbered 28603 as well as with the regulations and communiqués promulgated by EMRA, EMRA sends a letter notifying the reason and related penalty fee with payment maturity to the Group. Although these penalties generally are paid in advance, some payments could be delayed until the final confirmation is reached in case of disagreement with EMRA. Based on the final conclusions as a result of assessment made by the Legal Department of the Group and assumption/analysis made by the Group management, required provision is made on the consolidated statement of the financial position as the notification is received.

iii) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

o) Revenue

i) Construction contracts and real estate business

Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. As soon as the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity.

The stage of completion is assessed by reference to the proportion of contract costs incurred for work performed to date to the estimated total contract costs. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

Rental income

Rental income from investment property is recognised as revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from investment property is recognised as other income.

Sale of trading properties

Revenue from the sale of trading properties in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of discounts. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sale is recognised.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. For the sale of trading properties, transfer occurs when the property has been delivered to and registered in the name of the buyer officially.

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3 Significant accounting policies (continued)

o) Revenue (continued)

ii) Energy business

Electricity sales

Due to the fact that the electricity could not be stored, the purchase and sales realises at the same time and accordingly revenue and cost of revenue are recognised at the transaction time. Monthly invoicing is made at the month ends, when the Group prepares invoices for rendering services rendered to its customers during one month period. Revenue from the sale of electricity to subscribers is stated net of returns. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the subscribers. Transfer of risk and rewards depends on the consumption of electricity by subscribers.

The Group management monitors closely at period ends and the delays of 5-10 days in electricity usage count do not have a significant impact on the accompanying financial statements.

Electricity retail sale service is defined in Electricity Market Law and Electricity Market License Communiqué promulgated by EMRA as other services such as invoicing or collection provided to the customers excluding the sale of electricity and/or capacity, the services provided by companies holding retail sale licenses to consumers. Electricity retail sale service fee included in the invoices issued by the Group contains invoicing costs, consumer services costs, capital expenditures relevant to the electricity retail sale services. Electricity retail sale service fee is applied to all customers who purchase energy from the Group.

Transmission system utilisation

The transmission tariff is prepared by the Türkiye Elektrik İletim Anonim Şirketi ("TEİAŞ") and includes prices, terms and conditions for the provision of transmission service to all users benefiting from the transmission of generated, imported or exported electricity over the transmission facilities, which will be employed on the basis of non-discriminatory conduct principle in accordance with the Electricity Market Law Article 13. Grid investments made by TEİAŞ and transmission surcharges are included in the transmission tariff. Transmission system utilisation fees charged to the customers are the unit prices allocated by the entities holding electricity distribution license in order to compensate the transmission tariff charges invoiced by TEİAŞ to those entities.

Distribution system utilisation

Distribution activities covers establishing, operating and maintaining distribution facilities in order to transport the electricity through 36 kilowatt ("kW") or lower lines.

The distribution tariff includes prices, terms and conditions for the distribution service to all real persons and legal entities benefiting from the distribution of electricity through distribution facilities, which will be employed on the basis of non-discriminatory conduct principle in accordance with the Electricity Market Law Article 13. Distribution fee including distribution system utilisation price is calculated based on the costs of capital expenditures related to the distribution system, operating and maintenance expenses and collected from each distribution system users. Distribution fee does not include costs of energy, electricity retail sale service, meter reading and transmission.

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3 Significant accounting policies (continued)

o) Revenue (continued)

ii) Energy business (continued)

Meter reading

Meter reading fee is determined in accordance with the Electricity Market License Communiqué and Electricity Market Tariffs Communiqué and includes cost of meter reading. The mentioned fee is calculated based on reading frequency depending on the connection status and subscriber groups and charged to the distribution system users.

Electricity dissipation and theft

Electricity dissipation and theft cost is calculated using electricity dissipation and theft ratio applied to the projected electricity transfer quantity based on each distribution region and charged to each electricity consumers including the industrial plants connected to the electricity network as electricity dissipation and theft income.

Price balancing

A price balancing mechanism is applied by EMRA to protect the consumers purchasing electricity over the regulated tariffs from the price differences partially or wholly due to the cost differences among the distribution regions. The amount to be provided to or collected from the entities holding electricity distribution license is calculated in accordance with a formula determined by EMRA for each distribution region and informed to the parties. These amounts are recognised in profit or loss.

iii) Banking and finance business

Interest income / expense

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and commissions paid or received transaction costs, and discounts or premiums that are integral part of the effective interest rate. Interest income and expense on all trading assets and liabilities are considered to be incidental to the Group's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense presented in profit or loss include the interest income on financial assets and liabilities at amortised cost on an effective interest rate basis.

Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate. Other fees and commission income are recognised as the related services are provided. Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

Net trading income

Net trading income comprises gains less loss related to trading assets and liabilities, and includes all realised and unrealised fair value changes and foreign exchange differences.

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Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3 Significant accounting policies (continued)

o) Revenue (continued)

iv) Telecommunication business

Revenues are recognized to the extent that it is probable that economic benefits will flow to the Group and their amount can be measured reliably. Revenues are stated net of discounts, allowances, and returns.

Services rendered

Revenues from services rendered are recognized in the profit or loss according to the stage of completion of the service and only when the outcome of the service rendered can be estimated reliably.

Monthly subscription fee

Revenue related to the monthly service fees is recognised in the month that the telecommunication service is provided.

Usage charges and value added services fees

Call fees consist of fees based on airtime and traffic generated by the caller, the destination of the call and the service utilised. Usage charges are based on traffic, usage of airtime or volume of data transmitted for value added services, such as short message services, internet usage and data services. Revenues from usage charges and value added services are recognised in the period when the services are provided. Unbilled revenues from the billing cycle dating to the end of each month are estimated based on traffic and are accrued at the end of the month.

Revenue from the sale of internet services through contracts for leased lines is recognized in the profit or loss over the course of the contract. Revenue from the sale of prepaid access internet cards and access mobile cards is recognized in profit or loss at the time of usage.

Traffic revenues from interconnection and roaming are reported gross of the amounts due to other telecom operators.

Revenues from prepaid airtime are recorded on the basis of the airtime used at the predefined prices per minute. Deferred revenues for unused airtime are recorded as "Deferred revenue" in the consolidated statement of financial position.

Sales of goods

Revenue from the sale of modems and mobile phones is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognized when the significant risks and rewards of ownership have been transferred to the buyer (i.e. upon delivery of goods), recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

3 Significant accounting policies (continued)

o) Revenue (continued)

v) Other businesses

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns and allowances and trade discounts. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sale is recognised.

Transfers of risks and rewards vary depending on the individual terms of the contract of sale. Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date.

vi) Commissions

When the Group acts in the capacity of an agent rather than as the principal in a transaction, the revenue recognised is the net amount of commission made by the Group.

p) Research and development costs

Expenditure on research activities is recognised in profit or loss when incurred.

q) Dividend income

Dividend income is recognised on the date that the Group's right to receive payment is established. Dividend payables are recognised after the dividend distribution approval in the General Assembly.

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3 Significant accounting policies (continued)

r) Leases

i) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

ii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

iii) Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. The following two criteria must be met for a "lease":

- the fulfillment of the arrangement is dependent on the use of a specific asset or assets; and
- the arrangement contains a right to use the asset(s).

At inception or upon reassessment of the arrangement, the Group separates payments and other consideration required by such an arrangement into those for the lease and those for other elements on the basis of their relative fair values. If the Group concludes for a finance lease that it is impracticable to separate the payments reliably, an asset and a liability are recognised at an amount equal to the fair value of the underlying asset. Subsequently the liability is reduced as payments are made and an imputed finance charge on the liability is recognised using the Group's incremental borrowing rate.

iv) Group as a lessee

Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments and included in "Property and equipment" with the corresponding liability to the lessor included in "Other liabilities".

Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss in "Interest expense". Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are not recognised on the consolidated statement of financial position. Any rentals payable are expensed for on a straight-line basis over the lease term and included in "General and administrative expenses", "Cost of sales", "Selling, marketing and distribution expenses" and "Research and development expenses".

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3 Significant accounting policies (continued)

s) Finance income and finance cost

Finance income comprises foreign currency gains (excluding those on trade receivables and payables), and gains on derivative instruments used for economic hedge for the foreign currency risk of the borrowings or interest rate risk exposures originating from the borrowings that are recognised in profit or loss (excluding other trading derivatives held by the banking subsidiaries of the Group). Interest income obtained from related parties for the funds provided is recognised as it accrues, using the effective interest method.

Finance cost comprise interest expense on borrowings and due to related parties for the funds received, foreign currency losses (excluding those on trade receivables and payables), and losses on derivative instruments used for economic hedge for the foreign currency or interest rate risk exposures originating from the borrowings that are recognised in profit or loss (excluding other trading derivatives held by the banking subsidiaries of the Group).

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Foreign currency gains and losses are reported on a net basis as either other income or expense depending on whether foreign currency movements are in a net gain or net loss position by each entity of the Group.

t) Other income and expenses from operating activities

Except for banking and finance operations, other income from operating activities comprises interest income on time deposits that is recognised as it accrues in profit or loss, using the effective interest method, recoveries from provision for doubtful receivables and inventories, rediscount gains on payables, foreign currency gains (excluding those on borrowings) fair value gains on investment property and other operating income.

Except for banking and finance operations, other expense from operating activities comprises commission expenses for letter of credits, provision expense for doubtful receivables and inventories, donations, rediscount losses on payables, foreign currency losses (excluding those on borrowings) fair value loss on investment property and other operating expenses.

Foreign currency gains and losses are reported on a net basis as either finance income or finance cost depending on whether foreign currency movements are in a net gain or net loss position by each entity of the Group.

u) Income and losses from investing activities

Income from investing activities comprises gain on sale of property, plant and equipment and intangible assets, fair value gain of financial assets at fair value through profit or loss, dividend income from equity accounted investees, available for sale financial assets and financial assets at fair value through profit or loss and other income from investing activities.

Losses from investing activities comprises gain on sale of property, plant and equipment and intangible assets, fair value loss of financial assets at fair value through profit or loss on derivative financial instruments and other losses from investing activities.

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3 Significant accounting policies (continued)

v) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries, joint arrangements and associates to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred taxes related to fair value measurement of available for sale assets are charged or credited to equity and subsequently recognised in profit or loss together with the deferred gains that are realised.

Tax exposures

In determining the amount of current and deferred tax the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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3 Significant accounting policies (continued)

v) Income tax (continued)

Transfer pricing in Turkey

Transfer pricing is disclosed in the 13th clause of the Corporate Tax Law under the heading "veiled shifting of profit" via transfer pricing. The application details are stated in the "general communiqué regarding veiled shifting of profits via transfer pricing" published on 18 November 2007.

If the tax payer involves in transactions with related parties relating to trading of products or goods not performed within the framework of the principals regarding to pricing according to peers, then it will be considered that the related profits are shifted in a veiled way via transfer pricing. Such veiled shifting of profits via transfer pricing will not be deducted from tax assessment for the purposes of corporate tax.

The provisions concerning to the "thin capitalisation" are stated in the Article 12 of new corporate tax law issued by Ministry of Finance of Turkey. According to the Article 12, if the borrowings obtained directly or indirectly from the shareholders of the companies or persons related to shareholders exceeds three times of the shareholders' equity of the company operating in Turkey at any time during the related year, the exceeding portion of the borrowing will be treated as thin capital.

The financial borrowings were regarded as thin capitalisation provided with:

- The borrowings obtained directly or indirectly from the shareholders of the companies or persons related to shareholders
- Used for/in the entity
- Borrowings exceeds three times of the shareholders' equity of the company at any time during the related year,

w) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the CEO ("Chief Executive Officer") and BOD members to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

x) De-merger/ Spin off

Economically a de-merger represents a division of an entity into separate parts. The result of a de-merger is that the same shareholders own the same group of businesses; the shareholders structure and their ownership interests are identical both before and after the de-merger. In the absence of further guidance in IFRS, the Group has accounted the de-merger by recognising the book values.

y) Contingent assets and liabilities

If the inflows of the economic benefits to the Group are probable, contingent assets are disclosed in the notes to the consolidated financial statements. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognised in the consolidated financial statements in the period in which the change occurs.

Contingent liabilities are assessed continuously to determine whether an outflow of resources embodying economic benefits has become probable. Unless the possibility of any outflow in settlement is remote, contingent liabilities are disclosed in the notes to the financial statements.

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3 Significant accounting policies (continued)

z) Subsequent events

Subsequent events represents the events after reporting date comprising any event between the reporting date and the date of authorisation for the consolidated financial statements' issue to the benefit or loss of the entity. Conditions of subsequent events are as follows:

- to have new evidences of subsequent events as of reporting date (adjusting events); and
- to have evidences of related subsequent events occurred after reporting date (non adjusting).

The Group adjusts its consolidated financial statements according to the new condition if adjusting subsequent events arise subsequent to the reporting date. If it is not necessary to adjust the consolidated financial statements according to subsequent events, these subsequent events must be disclosed in the notes to the consolidated financial statements.

aa) Statement of cash flows

Cash flows during the period are classified and reported by operating, investing and financing activities in the cash flow statements.

Cash flows from operating activities reflect cash flows mainly generated from main operations of the Group. The Group presents the cash flows from operating activities by using the indirect method such as adjusting the accruals for cash inflows and outflows from gross profit/loss, other non-cash transactions, prior and future transactions or deferrals.

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

Cash flows relating to financing activities reflect sources of financial activities and payment schedules of the Group.

Cash and cash equivalents comprise cash on hand and demand deposits, investment funds, reverse repo receivables and other bank deposits whose maturities are three months or less from date of acquisition. Any restricted cash and cash equivalents that are not ready for the Group's use as at the reporting date, are excluded from the sum of the cash and cash equivalent in the consolidated statement of cash flows.

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3 Significant accounting policies (continued)

ab) Related parties

Parties are considered related to the Group if:

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

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

(b) the party is an associate of the Group;

(c) the party is a joint venture/operation in which the Group is a venturer;

(d) the party is member of the key management personnel of the Group and 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 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);

(g) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

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

A number of transactions are entered into with related parties in the normal course of business.

ac) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2014, and have not been applied in preparing these consolidated financial statements.

IFRS 9 Financial Instruments – Classification and measurement

As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2015. Phase 1 of this new IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on the consolidated financial position or performance of the Group.

IAS 16 and IAS 38 – Clarification of acceptable methods of depreciation and amortisation

The amendments to IAS 16 Property, Plant and Equipment explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The amendments to IAS 38 Intangible Assets introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. The amendments are effective for annual periods beginning on after 1 January 2016, and are to be applied prospectively. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

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3 Significant accounting policies (continued)

ac) New standards and interpretations not yet adopted (continued)

IFRS 11 – Accounting for acquisition of interests in joint operations

The amendments clarify whether IFRS 3 *Business Combinations* applies when an entity acquires an interest in a joint operation that meets that standard's definition of a business. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

IFRS 9 Financial Instruments – Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39 - (2013)

In November 2013, the International Accounting Standards Board ("IASB") issued a new version of IFRS 9, which includes the new hedge accounting requirements and some related amendments to IAS 39 and IFRS 7. Entities may make an accounting policy choice to continue to apply the hedge accounting requirements of IAS 39 for all of their hedging transactions. Further, the new standard removes the 1 January 2015 effective date of IFRS 9. The new version of IFRS 9 issued after IFRS 9 (2014) introduces the mandatory effective date of 1 January 2018 for IFRS 9, with early adoption permitted. The Group is in the process of assessing the impact of the standard on the consolidated financial position or performance of the Group.

IFRS 9 Financial Instruments (2014)

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 "Financial Instruments Recognition and Measurement". IFRS 9 includes revised guidance on the classification and measurement of financial instruments including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and de-recognition of financial instruments from IAS 39. IFRS 9 is effective for annual reporting periods beginning on or after 1 January 2018, with early adoption permitted. The Group is in the process of assessing the impact of the standard on the consolidated financial position or performance of the Group.

IFRS 14 Regulatory Deferral Accounts

IASB has started a comprehensive project for Rate Regulated Activities in 2012. As part of the project, IASB published an interim standard to ease the transition to IFRS for rate regulated entities. The standard permits first time adopters of IFRS to continue using previous GAAP to account for regulatory deferral account balances. The interim standard is effective for financial reporting periods beginning on or after 1 January 2016, although early adoption is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

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3 Significant accounting policies (continued)

ac) New standards and interpretations not yet adopted (continued)

IFRS 15 Revenue from Contracts with customers

The standard replaces existing IFRS and US GAAP guidance and introduces a new control-based revenue recognition model for contracts with customers. In the new standard, total consideration measured will be the amount to which the Group expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognising revenue over time. The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted under IFRS. The Group is in the process of assessing the impact of the amendment on the consolidated financial position or performance of the Group.

Sale or contribution of assets between an investor and its associate or joint venture (Amendments to IFRS 10 and IAS 28)

The amendments address the conflict between the existing guidance on consolidation and equity accounting. The amendments require the full gain to be recognized when the assets transferred meet the definition of a "business" under IFRS 3 *Business Combinations*. The amendments apply prospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

Equity method in separate financial statements (Amendments to IAS 27)

The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries. The amendments apply retrospectively for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

Disclosure Initiative (Amendments to IAS 1)

The narrow-focus amendments to IAS 1 *Presentation of Financial Statements* clarify, rather than significantly change, existing IAS 1 requirements. In most cases the amendments respond to overly prescriptive interpretations of the wording in IAS 1. The amendments relate to the following: materiality, order of the notes, subtotals, accounting policies and disaggregation. The amendments apply for annual periods beginning on or after 1 January 2016. Early adoption is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

Improvements to IFRSs

The IASB issued Annual Improvements to IFRSs - 2012–2014 Cycle. The amendments are effective as of 1 January 2016. Earlier application is permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

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3 Significant accounting policies (continued)

ac) New standards and interpretations not yet adopted (continued)

Annual Improvements to IFRSs – 2012–2014 Cycle

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations

The amendments clarify the requirements of IFRS 5 when an entity changes the method of disposal of an asset (or disposal group) and no longer meets the criteria to be classified as held-for-distribution.

IFRS 7 Financial Instruments: Disclosures

IFRS 7 is amended to clarify when servicing arrangement are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that the additional disclosures required by *Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7)*.

IAS 19 Employee Benefits

IAS 19 has been amended to clarify that high-quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.

IAS 34 Interim Financial Reporting

IAS 34 has been amended to clarify that certain disclosure, if they are not included in the notes to interim financial statements, may be disclosed “elsewhere in the interim financial report” – i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report).

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4 Acquisition of subsidiaries

4.1 Acquisitions/disposal of non-controlling interests without change in control during 2014

Çalık Solar Enerji

On 1 July 2014, the Group acquired the shares held by Mitsubishi Corporation and with a nominal value of TL 684 representing 50,00% of Çalık Solar Enerji's capital for a total consideration of TL 65, increasing its ownership percent from 50,00% to 100,00%.

Çalık NTF

On 24 April 2014, the Group acquired the shares held by NTF İnşaat Ticaret Ltd. and with a nominal value of TL 4.000 representing 10,00% of Çalık NTF's capital for a total consideration of TL 2.240 increasing its ownership percent from 90,00% to 100,00%.

4.2 Acquisition of an entity under common control during 2013

In 2013, structure of the board of directors of one of the Group's entities which is operating in construction segments has changed and with this management change, the entity has started to be controlled by the Group. On 31 December 2013, the Group has participated in the share capital increase of this entity while the non-controlling interest did not participate and had shares by 99,75% in this entity. Therefore, this transaction has been accounted as consolidation of the entity under common control by its book values. As a result of this transaction, the Group recognised the net liability of the entity amounting to TL 207.557 in retained earnings account under equity. As at the transaction date, the Group's cash and cash equivalents increased by TL 2,071.

4.3 Acquisition of a subsidiary during 2013

Pavo Teknik Servis Elektrik ve Elektronik Sanayi ve Ticaret A.Ş. ("Pavo")

According to share transfer agreement dated 26 August 2013, the Group decided to purchase 80% of shares at Pavo Teknik Servis Elektrik ve Elektronik Sanayi ve Ticaret A.Ş. ("Pavo") for a consideration of TL 4,529. On 20 September 2013, the share transfer was finalised and the Group obtained control by acquiring 80% of shares and voting rights in Pavo.

Pre-acquisition carrying amounts were determined based on the applicable IFRSs immediately before the acquisition. The values of assets, liabilities and contingent liabilities recognised on acquisition are their fair values based on certain estimations.

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4 Acquisition of subsidiaries (continued)

4.2 Acquisition of subsidiary during 2013 (continued)

The following table summarises the major classes of consideration transferred and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration transferred

Cash paid	--	4.529
Total consideration	--	4.529

	Carrying amount	Fair value
Identifiable assets acquired and liabilities assumed		
Cash and cash equivalents	389	389
Trade and other receivables	373	373
Inventories	267	267
Other assets	171	171
Property, plant and equipment	22	22
Intangible assets	6	6
Total assets	1.228	1.228
Trade and other payables	(169)	(169)
Other liabilities	(143)	(143)
Total liabilities	(312)	(312)
Total net identifiable assets	916	916

Goodwill

Goodwill has been recognised as a result of the acquisition as follows:

Total consideration transferred	4.529
Non-controlling interest based on their proportionate interest in the recognised amounts of the assets and liabilities of the acquiree	183
Less: Value of net identifiable assets	(916)
Goodwill	3.796

Cash consideration transferred	4.529
Cash and cash equivalents acquired	(389)
Net cash outflow arising on acquisition	4.140

The Group management estimated that the effect of this acquisition would have an insignificant effect on the consolidated revenue and consolidated loss if the acquisition had occurred on 1 January 2013.

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5 Discontinued operation and disposal group held for sale

In December 2013, the Group committed to a plan to dispose all of its subsidiaries in media operation following a strategic decision to place greater focus on the Group's key competencies. On 22 April 2014, the Group sold its entire media segment with a total net asset amounting to TL 185.510 for a total consideration received in cash of TL 623.479. As the media segment represents a major line of business of the Group, the comparative consolidated statement of profit or loss and other comprehensive income for the year ended on 31 December 2013 has been re-presented separately from continuing operations to show this transaction as a discontinued operation and all assets and liabilities of these subsidiaries started to be presented as "Assets held for sale" and "Liabilities held for sale", respectively, as at 31 December 2013.

The Group has also reclassified assets and liabilities of Çalık Alexandria and its two foreign subsidiaries operating in textile sector as "Assets held for sale" starting from 2012 as the Group plans to dispose its production and retail facilities of these subsidiaries. All assets and liabilities of these entities except the cash and cash equivalents have been classified as "Assets held for sale" and "Liabilities held for sale" in the consolidated financial statements, respectively. In addition, properties acquired as a result of legal proceedings of uncollectable loans and receivables of banking sector operations have been re-presented under "Assets held for sale".

As at 31 December 2014, assets and liabilities including those of discontinued operations are TL 171.072 and TL 7.533 (31 December 2013: TL 2.188.037 and TL 1.839.695), respectively, and details are as follows:

Assets held for sale	31 December 2014	31 December 2013
Cash and cash equivalents	--	23.469
Trade receivables	--	236.640
Inventories	1.592	116.756
Property, plant and equipment (*)	168.788	391.859
Intangible assets	46	1.132.423
Deferred tax assets	--	71.325
Other assets	646	215.565
	171.072	2.188.037

Liabilities held for sale	31 December 2014	31 December 2013
Loans and borrowings	70	1.475.222
Trade payables	614	88.837
Other payables	6.715	136.271
Other liabilities	134	51.410
Deferred tax liabilities	--	7.022
Provisions	--	80.933
	7.533	1.839.695

(*) Property, plant and equipment consist of properties classified as held for sale of the subsidiaries in textile sector amounting to TL 22.373 (31 December 2013: TL 22.171) and properties amounting to TL 146.415 (31 December 2013: TL 132.321) which were acquired as a result of legal proceedings of uncollectable loans and receivables of banking sector operations.

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5 Discontinued operation and disposal group held for sale (continued)

For the period between 1 January and 22 April 2014 and for the year ended on 31 December 2013, results of the discontinued operation are as follows:

	1 January- 22 April 2014	1 January- 31 December 2013
Revenue	327.571	1.020.067
Cost of sales	(282.401)	(861.730)
Gross profit	45.170	158.337
Other income	5.622	19.459
General and administrative expenses	(6.199)	(28.727)
Selling, marketing and distribution expenses	(36.067)	(126.084)
Other expenses	(6.541)	(86.848)
Operating profit/(loss)	1.985	(63.863)
Gains from investing activities	3	700
Losses from investing activities	(1.392)	(3.549)
Operating profit / (loss) before finance costs	596	(66.712)
Finance income	9.063	10.186
Finance cost	(29.396)	(308.585)
Net finance costs	(20.333)	(298.399)
Result from operating activities	(19.737)	(365.111)
Current tax expense	(506)	(731)
Deferred tax benefit / (expense)	7.584	(32.427)
Result from operating activities, net of tax	(12.659)	(398.269)
Gain on sale of discontinued operation	484.791	--
Profit/(loss) for the period from discontinued operation	472.132	(398.269)

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5 Discontinued operation and disposal group held for sale (continued)

Effects of disposal on the consolidated financial position of the Group are as follows:

	22 April 2014
Cash and cash equivalents	(15.802)
Trade receivables	(324.115)
Inventories	(148.650)
Property, plant and equipment	(239.322)
Intangible assets	(1.125.184)
Deferred tax assets	(74.129)
Other assets	(111.002)
Loans and borrowings	1.393.593
Trade payables	183.606
Other payables	142.257
Other liabilities	40.010
Deferred tax liabilities	5.211
Provisions	88.017
Net assets and liabilities	(185.510)
Consideration received in cash	623.479
Cash and cash equivalent disposed of	(15.802)
Net cash inflow	607.677

As at transaction date, the Group reclassified the foreign currency translation differences for foreign operations attributable to the owners of the Group amounting to TL 5.414 from the discontinued operations previously recognised under translation reserve in the equity to the current period profit or loss.

6 Operating segments

The Group has six reportable segments, as described below, which are largely organised and managed separately according to the nature of products and services provided, distribution channels and profile of customers.

Assets, liabilities, profit and measurement of financial results of the segments are dependant to accounting policies of the Group. Segment operating profit, assets and liabilities consist of items directly belonging to these segment or items that can be distributed fairly.

The Group's main reportable operating segments are as follows:

Energy: Entities in energy segment operate in sale of electricity, operation of natural gas and crude oil resources, exploration-production of these resources and sale and transportation of these resources to international markets.

Construction: Entities in construction segment are operating in construction, contracting and decoration businesses both within Turkey and abroad. In addition, these entities are managing mining of all kinds of minerals, marble, lime, clay, coal and stone as long as the necessary permits are granted and trading of marble, store cutting machines with its spare parts, ceramic floor and wall tiles both within the country and abroad. These entities are also providing services for land development and project development services for urban renewal, office residential and housing markets.

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6 Operating segments (continued)

Textile: Entities in textile segment mainly deal with production and trading activities of yarn, texture and ready wear besides providing consulting services related to importation and exportation of cotton.

Marketing: Entities in marketing segment mainly supplies goods used in the production and the domestic or foreign projects carried out mainly by the Group entities.

Telecommunication: Entities in telecommunication segment mainly provides telecommunication, communication, press and internet services.

Banking and finance: Entities in banking and finance segment mainly provides commercial and investment banking, financial leasing, insurance, project financing, other financial services, trading of marketable securities and credit financial services.

Other: Entities in other segment mainly engage in electronic fee collection, organisation, mining, transportation, procurement and various services.

Since the shares of the Çalık Holding are not publicly traded, the Group preferred to present information regarding its segments as it was reported to the Board of Directors, rather than IFRS 8 requirements.

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6 Operating segments (continued)

The following information was prepared according to the accounting policies applied for subsidiaries, associates, joint ventures and joint operations.

31 December 2014											
	Energy	Construction	Textile	Marketing	Tele-communication	Banking and finance	Others	Eliminations	Subtotal	Discontinued operation	Total
Revenue	3.537.596	712.979	506.284	323.219	218.646	1.011.724	228.395	(532.313)	6.006.530	327.571	6.334.101
Gross profit	783.686	31.064	99.472	77.032	71.865	456.244	108.228	(139.878)	1.487.713	45.170	1.532.883
Share of profit or (loss) accounted investees	(16.732)	--	--	--	--	917	(25.231)	--	(41.046)	--	(41.046)
Interest income	40.133	3.512	108	1	--	26	60	--	43.840	--	43.840
Other income/(costs), net	(203.354)	63.424	(45.554)	(47.940)	(114.554)	(260.017)	(49.867)	47.864	(609.998)	(43.185)	(653.183)
Results from operating activities	603.733	98.000	54.026	29.093	(42.689)	197.170	33.190	(92.014)	880.509	1.985	882.494
Gain /(loss) from investing activities	3.168	(3.406)	743	291	5.586	(25.240)	633.510	(596.430)	18.222	(1.389)	16.833
Interest expense	(34.355)	(782)	(27.947)	(33.446)	(7.647)	(15.779)	(264.441)	120.756	(263.641)	(33.210)	(296.851)
Finance cost / income, net	(36.356)	(14.576)	(25.580)	17.741	2.219	(3.491)	(115.443)	(17.432)	(192.918)	12.877	(180.041)
Consolidated profit / (loss) before tax	536.190	79.236	1.242	13.679	(42.531)	152.660	286.816	(585.120)	442.172	(19.737)	422.435
Income tax expense	(34.603)	(64.643)	11.768	(207)	(622)	(30.248)	(7.344)	--	(125.899)	7.078	(118.821)
Gain on sale of discontinued operation	--	--	--	--	--	--	--	--	--	484.791	484.791
Net profit/(loss) for the year	501.587	14.593	13.010	13.472	(43.153)	122.412	279.472	(585.120)	316.273	472.132	788.405

	Energy	Construction	Textile	Marketing	Tele-communication	Banking and finance	Other	Eliminations	Subtotal	Discontinued operation	Total
Segment assets	3.483.493	2.144.296	683.222	211.204	591.450	12.626.086	3.556.345	(5.909.973)	17.386.123	--	17.386.123
Segment liabilities	2.677.511	1.734.671	493.384	168.336	471.253	11.260.501	2.813.065	(3.541.176)	16.077.545	--	16.077.545
Capital expenditure	38.324	67.116	50.835	201	28.221	131.119	11.220	--	327.036	--	327.036
Depreciation and amortisation	(42.329)	(4.326)	(13.540)	(209)	(48.661)	(61.365)	(9.226)	--	(179.656)	--	(179.656)

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6 Operating segments (continued)

31 December 2013											
	Energy	Construction	Textile	Marketing	Telecommunication	Banking and finance	Other	Eliminations	Subtotal	Discontinued operation	Total
Revenue	2.005.173	311.544	383.649	280.694	220.778	968.502	43.275	(340.890)	3.872.725	1.020.067	4.892.792
Gross profit	355.000	(58.820)	85.226	55.995	130.357	526.873	6.632	(169.418)	931.845	158.337	1.090.182
Share of profit of (loss) accounted investees	32.502	--	(4.504)	--	--	(191)	(28.646)	--	(839)	--	(839)
Interest income	1.250	725	85	2	--	--	121	--	2.183	--	2.183
Other income/(expense), net	(270.445)	(47.337)	(70.005)	(10.636)	(136.215)	(282.376)	(174.098)	97.626	(893.486)	(222.200)	(1.115.686)
Results from operating activities	118.307	(105.432)	10.802	45.361	(5.858)	244.306	(195.991)	(71.792)	39.703	(63.863)	(24.160)
Gain /(loss) from investing activities	(3.831)	4.994	1.001	1.789	(1)	67.359	164.077	(280.329)	(44.941)	(2.848)	(47.789)
Interest expense	(60.603)	(3.578)	(16.960)	(18.202)	(7.113)	(9.748)	(230.457)	119.106	(227.555)	(96.071)	(323.626)
Finance cost / income, net	7.667	(3.590)	(12.636)	(19.064)	(5.198)	(71.054)	(128.639)	7.073	(225.441)	(202.329)	(427.770)
Consolidated loss before tax	61.540	(107.606)	(17.793)	9.884	(18.170)	230.863	(391.010)	(225.942)	(458.234)	(365.111)	(823.345)
Income tax expense	(6.067)	(16.053)	18.978	302	(1.480)	(43.959)	10.842	--	(37.437)	(33.158)	(70.595)
Net profit / (loss) for the year	55.473	(123.659)	1.185	10.186	(19.650)	186.904	(380.168)	(225.942)	(495.671)	(398.269)	(893.940)

	Energy	Construction	Textile	Marketing	Telecommunication	Banking and finance	Other	Eliminations	Subtotal	Discontinued operation	Total
Segment assets	3.273.499	2.023.055	528.621	316.806	646.125	10.668.482	5.038.920	(7.492.657)	15.002.851	2.188.037	17.190.888
Segment liabilities	2.338.035	1.579.233	377.101	288.855	479.321	9.554.619	4.156.519	(3.974.362)	14.799.321	1.839.695	16.639.016
Capital expenditure	58.969	4.330	41.471	229	78.648	197.584	6.594	--	387.825	4.386	392.211
Depreciation and amortisation	(51.252)	(2.622)	(18.303)	(132)	(37.763)	(10.436)	(31.611)	--	(152.119)	(38.068)	(190.187)

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7 Related party disclosures

As disclosed in detail in Note 3, the joint ventures and associates of the Group have been accounted for using the equity method in the consolidated financial statements. Accordingly, the transactions of Group's subsidiaries with joint ventures and the balances from joint ventures and associates are not subject to elimination.

Related party balances

As at 31 December, the Group had the following balances outstanding from its related parties:

31 December 2014					
	Shareholders	Associates	Joint ventures	Other	Total
Trade receivables	54	--	29	931	1.014
Receivables from finance sector	1.148	--	2.915	--	4.063
Other receivables	742	54.721	3.403	1.289	60.155
Payables related to finance sector	--	--	--	(9.558)	(9.558)
Trade payables	(39)	(18.485)	(1)	--	(18.525)
Other payables	(32.331)	(11.405)	(564)	--	(44.300)
Total	(30.426)	24.831	5.782	(7.338)	(7.151)

31 December 2013					
	Shareholders	Associates	Joint ventures	Other	Total
Trade receivables	--	59.970	--	97.307	157.277
Other receivables	--	--	30.004	526	30.530
Trade payables	--	--	--	(553)	(553)
Other payables	(84.048)	--	(2.565)	(1.535)	(88.148)
Total	(84.048)	59.970	27.439	95.745	99.106

No impairment losses have been recognised against balances outstanding as at 31 December 2014 (31 December 2013: None) and no specific allowance has been made for impairment losses on balances with the related parties.

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7 Related party disclosures (continued)

Related party transaction

As at 31 December, the Group had the following balances outstanding from its related parties:

31 December 2014					
	Shareholders	Associates	Joint ventures	Other	Total
Revenue	--	84.046	143	2.412	86.601
Interest income	857	--	--	21.781	22.638
Interest expense	--	--	(365)		(365)
General and administrative expenses	(105)	--	--	(593)	(698)
Profit/(loss) from other operation activities	(1.705)	125	6	2.804	1.230
Total	(953)	84.171	(216)	26.404	109.406

31 December 2013					
	Shareholders	Associates	Joint ventures	Other	Total
Revenue	247	63.975	20	--	64.241
Interest income	7.592	--	--	2.015	9.607
General and administrative expenses	--	--	--	(683)	(683)
Profit/(loss) from other operation activities	3.507	--	--	--	3.507
Total	11.347	63.975	20	1.332	76.673

Transactions with key management personnel

On a consolidated basis, key management costs included in general and administrative expenses for the year ended 31 December 2014 amounted to TL 31.588 (2013: TL 29.887).

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8 Cash and cash equivalents

At 31 December, cash and cash equivalents comprised the following:

2014	Finance ^(*)	Non-finance ^(**)	Total
Cash on hand	117.714	609	118.323
Cash at banks	431.547	99.884	531.431
-Demand deposits	186.302	99.152	285.454
-Time deposits	245.245	732	245.977
Balances at central bank (excluding statutory reserve)	140.136	--	140.136
Other cash and cash equivalents ^(***)	31.602	3.204	34.806
Cash and cash equivalents	720.999	103.697	824.696
Restricted amounts	(11.602)	(45.418)	(57.020)
Cash and cash equivalents in the consolidated statement of cash flows	709.397	58.279	767.676

2013	Finance ^(*)	Non-finance ^(**)	Total
Cash on hand	89.094	895	89.989
Cash at banks	507.100	91.355	598.455
-Demand deposits	103.786	83.700	187.486
-Time deposits	403.314	7.655	410.969
Balances at central bank (excluding statutory reserve)	57.484	--	57.484
Other cash and cash equivalents ^(***)	5.176	10.452	15.628
Cash and cash equivalents	658.854	102.702	761.556
Restricted amounts	(9.460)	(54.764)	(64.224)
Cash and cash equivalents in the consolidated statement of cash flows	649.394	47.938	697.332

(*) Finance represents the Group's entities operating in banking and finance business.

(**) Non-finance represents the Group's entities operating in businesses other than banking and finance.

(***) Other cash and cash equivalents mainly consist of receivables from money market amounting to TL 25.000 (31 December 2013: None), money in transit amounting to TL 246 as of 31 December 2014 (31 December 2013: TL 9.843).

As at 31 December 2014, restricted cash in cash equivalents amounting to TL 57.020 (31 December 2013: 64.224 TL) is not available in the Group's day-to-day operations. TL 40.494 of the restricted amounts is related to the mandatory bank deposits at banks in Turkmenistan and Iraq for engineering, procurement and construction projects ("EPC") in accordance with the relevant agreements (31 December 2013: TL 51.668). The remaining restricted cash mainly comprised of cash security given to İstanbul Takas ve Saklama Bankası A.Ş. due to purchased electricity from Market Financial Settlement Center ("PMUM") and the mandatory bank deposits in Albania and Turkey for banking activities amounting to TL 4.970 (31 December 2013: TL 2.403) and TL 11.556, respectively.

The Group's exposure to currency risks related to cash and cash equivalents are disclosed in Note 33.

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9 Financial investments

At 31 December, financial investments comprised the following:

31 December 2014			
	Current	Non-current	Total
Available-for-sale financial investments	1.860.529	1.381.276	3.241.805
Held to maturity financial investments	269.713	208.265	477.978
Financial assets at fair value through profit or loss (*)	363.604	--	363.604
	2.493.846	1.589.541	4.083.387

31 December 2013			
	Current	Non-current	Total
Available-for-sale financial investments	1.162.765	1.440.288	2.603.053
Held to maturity financial investments	247.836	216.920	464.756
Financial assets at fair value through profit or loss (*)	385.028	--	385.028
	1.795.629	1.657.208	3.452.837

(*) As at 31 December 2014 and 2013, equity securities in Anagold Madencilik Sanayi ve Ticaret A.Ş which is classified as equity securities at fair value through profit or loss were valued for the consolidated financial statements. These investments are valued periodically by an independent valuation firm by using discounted cash flow method. As at 31 December 2014, a decrease in fair value for this investment amounting to 21.424 (31 December 2013: TL 95.130) netted of dividend income by TL 48.539 (31 December 2013: TL 53.027) has been recognised under "Gain from investing activities" (31 December 2013: "Loss from investing activities") in profit or loss due to valuation of equity securities at fair value through profit or loss after in the tax effect.

As of the reporting date, 50 basis point increase/decrease in the discount rate used in the valuation of discounted cash flows of the financial asset at fair value through profit or loss would have decreased/increased the profit before tax by TL 19.850 /TL 21.095, respectively.

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9 Financial investments (continued)

Available-for-sale financial investments

As at 31 December, available-for-sale financial investments comprised the following:

	31 December 2014	31 December 2013
	<u>Carrying amount</u>	<u>Carrying amount</u>
Financial investments of finance sector companies entities		
Public sector bonds, notes and bills	2.548.760	1.974.472
Private sector bonds, notes and bills	587.003	485.956
Equity securities – listed	69.484	60.878
Total	3.205.247	2.521.306
Financial investments of non-finance sector companies entities		
Private sector bonds, notes and bills	1.140	--
Equity securities – non-listed		
Bursagaz Bursa Şehiriçi		
Doğal Gaz Dağıtım Ticaret ve Taahhüt A.Ş.	26.140	26.140
Polimetal Madencilik A.Ş. (*)	--	19.600
Kartaltepe Madencilik A.Ş. (*)	--	19.250
Tunçpınar Madencilik A.Ş. (*)	--	8.600
Kayserigaz Kayseri Doğalgaz		
Dağıtım Pazarlama Ticaret A.Ş.	6.292	6.292
Other	2.986	1.865
Total	36.558	81.747
Balance at 31 December	3.241.805	2.603.053

(*) The Group's control in these companies has changed to joint ventures from 1 January 2014. Accordingly, the group accounted its investments in these companies by using the equity method and recognized the Group's share of profit or loss of these companies for the year 2014 in the consolidated statement of profit or loss and other comprehensive income.

Financial assets measured at cost that are not traded in an active market

As at 31 December 2014, investments in equity securities amounting to TL 35.418 (31 December 2013: TL 81.747) are measured at cost less impairment, if any, as these equity securities are not traded in stock exchange and have no quoted market price, and therefore their fair value cannot be reliably estimated since there is significant variability in the range of reasonable fair value estimates and the probabilities of the various estimates within the range cannot be assessed reasonably.

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9 Financial investments (continued)

Held to maturity financial investments

At 31 December, held to maturity financial investments comprised the following:

	31 December 2014	31 December 2013
	<u>Carrying amount</u>	<u>Carrying amount</u>
Financial investments of finance sector companies entities		
Private sector bonds, notes and bills	301.578	234.896
Public sector bonds, notes and bills	176.400	229.860
Total	477.978	464.756

The movements in financial investments during the year ended 31 December 2014 were as follows:

	<i>Available- for-sale portfolio</i>	<i>Held to maturity portfolio</i>	<i>Fair value through profit or loss portfolio</i>
At 1 January 2014	2.603.053	464.756	385.028
Additions through purchases	804.461	16.733	--
Fair value gains/ (losses)	20.703	--	(21.424)
Disposals (sale and redemption)	(386.631)	(3.511)	--
Foreign currency translation differences	256.673	--	--
Transfers to equity accounted investees	(47.450)	--	--
Impairment	(9.004)	--	--
At 31 December 2014	3.241.805	477.978	363.604

The movements in financial investments during the year ended 31 December 2013 were as follows:

	<i>Available- for-sale portfolio</i>	<i>Held to maturity portfolio</i>	<i>Fair value through profit or loss portfolio</i>
At 1 January 2013	1.746.865	396.939	480.158
Additions through purchases	617.073	76.584	--
Additions through capital increases	24.535	--	--
Fair value gains/ (losses)	(46.311)	--	(95.130)
Disposals (sale and redemption)	(18.791)	(8.767)	--
Foreign currency translation differences	283.966	--	--
Impairment	(4.284)	--	--
At 31 December 2013	2.603.053	464.756	385.028

The Group's exposure to credit, currency and interest rate risks related to investment securities is disclosed in Note 33.

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10 Trade receivables and payables

Trade receivables

Short-term trade receivables

As at 31 December, short-term trade receivables comprised the following:

	31 December 2014	31 December 2013
Due from related parties	1.014	157.277
Due from third parties	2.229.976	1.566.825
	2.230.990	1.724.102

As at 31 December, short-term trade receivables comprised the following:

	31 December 2014	31 December 2013
Due from customers for contract work (Note 20)	1.125.307	708.357
Accounts receivables (*)	937.435	912.114
Doubtful receivables	153.024	163.610
Service concession receivables	83.891	34.608
Notes receivables	39.147	28.466
Post dated cheques received	37.220	30.570
Other trade receivables	8.456	10.969
	2.384.480	1.888.694
Allowances for doubtful trade receivables (-)	(153.024)	(163.610)
Discount on trade receivables (-)	(466)	(982)
Total	2.230.990	1.724.102

(*) Trade receivable of the Group mainly consists of uncollected portion of invoices billed in accordance with ongoing engineering, procurement and construction projects contracts abroad including excess cost amounting to TL 1.410.579 at of 31 December 2014 (31 December 2013: TL 1.287.649).

Movements of allowance for doubtful receivables for the year ended at 31 December were as follows:

	31 December 2014	31 December 2013
Balance at 1 January	163.610	176.217
Allowance for the period	21.995	33.931
Reversal of impairment allowances no longer required (-)	(5.489)	(11.605)
Recoveries of amounts previously impaired (-)	(25.088)	(16.210)
Translation difference	(2.004)	(18.723)
Total	153.024	163.610

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10 Trade receivables and trade payables (continue)

Trade receivables (continue)

Long-term trade receivables

As at 31 December, long-term trade receivables comprised the following:

	31 December 2014	31 December 2013
Service concession receivables	322.003	261.385
Accounts receivables	8.151	139.011
Total	330.154	400.396

Maturity of the service concession receivables was as follows:

Redemption year	Receivables subject to redemption	
	31 December 2014	31 December 2013
2014	--	34.608
2015	83.891	59.826
2016	62.309	47.676
2017	59.801	38.907
2018	53.723	34.847
2019	48.016	31.036
2020	42.663	27.462
2021	28.980	15.411
2022	17.001	6.220
2023	9.510	--
Total	405.894	295.993

Movement of service concession receivables for the years ended 31 December was as follows:

	31 December 2014	31 December 2013
At 1 January	295.993	226.752
Additions	119.544	91.507
Redemptions related to current year investments	(59.725)	(51.873)
Fair value gain	40.102	900
Correction at current period regarding revenue caps	11.709	27.298
Other	(1.729)	1.409
At 31 December	405.894	295.993

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10 Trade receivables and trade payables (continue)

Short-term trade payables

As at 31 December, short-term trade payables comprised the following:

	31 December 2014	31 December 2013
Accounts payables ^(*)	858.054	754.606
Notes payable	16.591	2.455
Cheques given and payment orders	56	1.724
Other trade payables	11.079	6.320
Total	885.780	765.105

(*) Accounts payables mainly consists of payables to suppliers of material and equipment for the engineering, procurement and construction projects.

Long term trade payables

As at 31 December, long-term trade payables comprised the following:

	31 December 2014	31 December 2013
Accounts payables	78.167	155.179
Total	78.167	155.179

The Group's exposure to credit and currency risks related to trade receivables and liquidity and currency risks of trade payables are disclosed in Note 33.

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11 Receivables and payables related finance sector activities

Receivables related finance sector operations

As at 31 December, current receivables related to finance sector activities comprised the following:

Current receivables related to finance sector operations	31 December 2014	31 December 2013
Due from third parties	1.647.020	1.423.482
Total	1.647.020	1.423.482

Receivables related to finance sector operations	31 December 2014	31 December 2013
Loans and receivables from customers	1.193.758	1.268.814
Loans and receivables from banks	390.563	127.265
Non-performing loans and receivables	116.081	87.945
Finance lease receivables	--	1.252
Factoring receivables	--	535
Subtotal	1.700.402	1.485.811
Provision for impairment in value of loans and receivables	(53.382)	(62.329)
Total	1.647.020	1.423.482

As at 31 December, non-current receivables related to finance sector activities comprised the following:

Non current receivables related to finance sector operations	31 December 2014	31 December 2013
Due from related parties	4.063	--
Due from third parties	2.703.510	2.382.144
Total	2.707.573	2.382.144

Receivables related to finance sector operations	31 December 2014	31 December 2013
Loans and receivables from customers	2.760.998	2.356.765
Loans and receivables from banks	11.281	82.744
Subtotal	2.772.279	2.439.509
Provision for impairment in value of loans and receivables	(64.706)	(57.365)
Total	2.707.573	2.382.144

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11 Receivables and payables related to finance sector operations *(continued)*

Movements of provision for impairment in value of loans and receivables for the year ended 31 December were as follows:

	31 December 2014	31 December 2013
Specific allowances for impairment		
Balance on 1 January	92.788	32.355
Impairment loss for the year	(10.027)	51.373
- Charge for the year	20.557	56.766
- Recoveries	(30.584)	(5.393)
Translation difference	3.430	9.060
Balance on 31 December	86.191	92.788
Collective allowances for impairment		
Balance on 1 January	26.906	21.633
Impairment loss for the year	811	5.273
- Charge for the year	811	5.273
Translation difference	4.180	--
Balance on 31 December	31.897	26.906
Total allowances for impairment	118.088	119.694

Loans and advances to customers include the following finance lease receivables:

	31 December 2014	31 December 2013
Gross finance lease receivable:		
- Less than one year	--	--
- Between one and five years	--	1.359
	--	1.359
Unearned future income on finance leases	--	(107)
Net investment in finance leases	--	1.252
Net finance leases comprises:		
- Less than one year	--	-
- Between one and five years	--	1.252
Net finance lease receivables	--	1.252

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11 Receivables and payables related finance sector operations (continued)

Payables related to finance sector operations

As at 31 December, short term payables related to finance sector operations comprised the following:

Short term payables related to finance sector operations	31 December 2014	31 December 2013
Due to related parties	9.558	--
Due to third parties	5.742.560	5.771.742
Total	5.752.118	5.771.742

As at 31 December, short-term payables to third parties comprised the following:

Short term payables related to finance sector operations	31 December 2014	31 December 2013
Due to banks	186.250	176.409
Time deposits	178.390	166.232
Current accounts	7.860	10.177
Due to customers	4.472.640	4.258.729
Individual	3.638.180	3.524.612
Private enterprises	581.533	595.832
Public institutions	160.535	138.285
Other	92.392	--
Customer accounts (*)	387.675	442.711
Funds from repo transactions	695.995	893.893
Total	5.742.560	5.771.742

(*) The Group banking subsidiary in Turkey is not entitled to collect deposits. The customer accounts represent the current balances of loan customers of the banking subsidiary in Albania. As at 31 December 2014, there is no time customer accounts (31 December 2013: None).

As at 31 December, long term payables related to finance sector operations comprised the following:

Long term payables related to finance sector operations	31 December 2014	31 December 2013
Payables from finance sector activities to third parties	488.159	339.113
Total	488.159	339.113

Long term payables related to finance sector operations	31 December 2014	31 December 2013
Due to customers		
Individual	446.449	280.656
Private enterprises	25.152	47.445
Public institutions	16.558	11.012
Total	488.159	339.113

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12 Other receivables and other payables

Other short term receivables

As at 31 December, other short-term receivables comprised the following:

	31 December 2014	31 December 2013
Due from related parties	60.155	30.530
Due from third parties	371.323	297.905
	431.478	328.435

As at 31 December, short-term other receivables from third parties comprised the following:

	31 December 2014	31 December 2013
Receivables from tax authorities	13.881	16.516
Deposits and guarantees given	3.665	3.544
Receivables from personnel	1.394	1.203
Due from shareholders	2.621	356
Due from associates	2.293	--
Other receivables (*)	414.645	314.108
	438.499	335.727
Allowance for other doubtful receivables (-)	(7.021)	(7.292)
Total	431.478	328.435

(*) This amount mainly consists of receivables of the Group's subsidiaries operating in construction sector amounting to TL 193.060 (31 December 2013: TL 160.066) from Emlak Konut Yatırım Ortaklığı A.Ş. and other various receivables of the Group's subsidiaries in the other sectors.

Other long term receivables

As at 31 December, other long term receivables comprised the following:

	31 December 2014	31 December 2013
Deposits and guarantees given	8.853	7.207
Other receivables	8.487	9.928
Total	17.340	17.135

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12 Other receivables and other payables (continued)

Other short term payables

As at 31 December, other short-term payables comprised the following:

	31 December 2014	31 December 2013
Due to related parties	43.365	88.148
Due to third parties	199.170	246.850
Total	242.535	334.998

As at 31 December, other short-term payables comprised the following:

	31 December 2014	31 December 2013
Other payables	167.274	217.647
Due to shareholders and other related parties	43.365	88.148
Deposits and guarantees received (*)	31.896	29.203
Total	242.535	334.998

Other long term payables

As at 31 December, other long-term payables comprised the following:

	31 December 2014	31 December 2013
Due to related parties	935	--
Due to third parties	116.790	95.824
	117.725	95.824

As at 31 December, other long-term payables to third parties comprised the following:

	31 December 2014	31 December 2013
Deposits and guarantees received (*)	116.790	95.824
Other various payables	935	--
Total	117.725	95.824

(*) As at 31 December 2014 and 2013, the deposits and guarantees received mainly consist of indemnification fees received by the electricity distribution and retail sale companies of the Group from their consumers.

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13 Inventories

As at 31 December, inventories comprised the following:

	31 December 2014	31 December 2013
Trading properties	732.009	676.098
Trading goods (*)	171.006	80.947
Raw materials	96.225	166.943
Finished goods	33.282	32.128
Semi finished goods in production	12.937	9.224
Other inventories	1.203	2.036
Allowance for impairment of inventories	(8.687)	(29.175)
Total	1.037.975	938.201

(*) Trading properties comprise residential and office buildings under development in various areas of Istanbul for selling.

Movements of provision for inventories for the year ended at 31 December were as follows:

	31 December 2014	31 December 2013
Beginning balance	29.175	5.379
Current year provision	1.085	23.027
Reversal due to sale	(21.425)	--
Translation difference	(148)	769
	8.687	29.175

As at 31 December 2014, the Group capitalized interest expense amounting to TL 185.898 (accumulated) on trading properties (31 December 2013: TL 149.245 (accumulated)).

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14 Prepayments and deferred revenue

Current prepayments

As at 31 December, current portion of prepayments comprised the following:

	31 December 2014	31 December 2013
Advances given (*)	237.926	410.903
Other	12.698	19.322
Total	250.624	430.225

(*) Advances given mainly consists of advances given to suppliers and service providers for ongoing EPC projects.

Non current prepayments

As at 31 December, non current prepayments comprised the following:

	31 December 2014	31 December 2013
Advances given for properties and equipment purchases	2.584	1.420
Other	70.172	1.532
Total	72.756	2.952

Short term deferred revenue

As at 31 December, short term portion of deferred revenue comprised the following:

Short term deferred revenue	31 December 2014	31 December 2013
Advances received (*)	956.805	1.467.691
Contract progress income (Note 20)	160.338	150.416
Short term deferred income	4.036	332.965
Total	1.121.179	1.951.072

As at 31 December, long term deferred revenue comprised the following:

Long term deferred revenue	31 December 2014	31 December 2013
Long term deferred income (**)	651.083	318.310
Total	651.083	318.310

(*) As at 31 December 2013, advances received mainly comprised from advance payments received for the disposal of the Group's media subsidiaries and from the customers of the Group's subsidiaries operating in energy for which the Group constructs electricity power plant and electricity distribution lines.

(**) As at 31 December 2014 and 2013, deferred income was derived from Gap İnşaat's real estate development projects and metropol Project constructed by Varyap - Gap İnşaat Ortak Girişimi.

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15 Investments in equity-accounted investees

i) Joint ventures

KÇLE

KÇLE was established as a joint venture with a joint agreement between Çalık Enerji, ÇED and Limak Yatırım on 17 September 2012 with the participation of these three companies by 25%, 25% and 50%, respectively, in the share capital of KÇLE. On 8 May 2013, KÇLE purchased all shares of the state-owned enterprise namely Kompania Per Distribuim Dhe Fumizim Me Energji Elektrike SH.A ("KEDS"), which is operating in electricity distribution and procurement in Kosovo in return for an amount of TL 61.976 (equivalent of EUR 26.300) to the Government of Republic of Kosovo, as a result of a tender in the privatisation process. The portion of acquisition fee which is exceeding the net asset value recognised in the consolidated financial statements of KÇLE at their fair values, amounting to TL 33.248 has been recognised as a bargain purchase gain in the profit or loss for the year ended 31 December 2013. KÇLE's net profit after tax for the year ended 31 December 2014 is TL 77.138 (for the period between the acquisition date and 31 December 2013: TL 96.242).

Doğu Aras

Doğu Aras was founded in accordance with energy market regulations as a joint venture with a joint agreement between ÇED and Kiler Alışveriş Hizmetleri Gıda Sanayi Ticaret A.Ş. ("Kiler Alışveriş") on 5 May 2013 with the participation of these two companies by 49% and 51%, respectively, for the purpose of establishing and participating to the companies that are engaged in distribution, retail and wholesale of electricity energy and/or capacity, assigning management of these established and participated companies, providing consultancy services on technical, financial, information processing and human resources management issues and making industrial and commercial investments through this companies.

On 28 June 2013, Doğu Aras purchased all shares of Aras Elektrik Dağıtım A.Ş. ("EDAŞ") and Aras Elektrik Perakende Satış A.Ş. ("EPAŞ") which were previously state owned companies operating in electricity distribution and procurement in cities Kars, Ardahan, Iğdır, Erzurum, Ağrı, Bayburt and Erzurum within the privatization by paying an amount of TL 247.337 (equivalent of USD 128.500) as a result of a tender in the privatization process. After this acquisition, Doğu Aras's identifiable assets and liabilities had been recognised based on their provisionally estimated fair values. As at the reporting date, the Group finalized the valuation of the Doğu Aras and the Group has recognized liability amounting to TL 38.480 under "Liabilities from equity accounted investees" (31 December 2013: liability amounting to TL 16.119 after restatement of consolidated financial statement as at 31 December 2013 by decreasing "liabilities from equity accounted investees" account by TL 21.089 due to the finalize of determination of the fair value of the Doğu Aras's identifiable assets and liabilities).

Atagas Doğalgaz

Atagas Doğalgaz was established on 10 October 2014 as a joint venture with a joint agreement between Aktif Doğalgaz and ASL Enerji with the participation of these two companies equally by 50%, for the purpose of exporting natural gas, to be purchased from Turkmenistan, through Iran and wholesales in Turkey and/or re-exporting abroad. As of the reporting date, Atagas Doğalgaz is still in the start-up phase and does not start to generate revenue.

LC Electricity

LC Electricity was established on 3 July 2014 in Serbia as a joint venture with a joint agreement between Türkmen Elektrik and Limak Yatırım with the participation of these two companies equally by 50%. The purpose of the Company is trading electricity and sales/purchases of goods and services as part of this operation. As of the reporting date, LC Electricity is still in the start-up phase and does not start to generate revenue.

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15 Investments in equity-accounted investees (continued)

i) Joint ventures (continued)

Investments in equity-accounted joint ventures and the Group's share of control as follows:

	31December2014		31December2013	
	Carrying value	% of ownership	Carrying value	% of ownership
Joint ventures				
Assets				
KÇLE	91.465	50,00	53.872	50,00
Kartaltepe ^(*)	22.806	50,00	--	--
Polimetal ^(*)	19.158	80,00	--	--
Tunçpınar ^(*)	9.964	50,00	--	--
Çalık Limak Adı Ortaklığı	865	50,00	622	50,00
Atagas Doğalgaz	562	50,00	--	--
LC Electricity	22	50,00	--	--
	144.842		54.494	
Liabilities				
Doğu Aras ^(**)	(38.480)	50,00	(16.119)	50,00
	(38.480)		(16.119)	
Total joint ventures	106.362		38.375	

^(*) The Group's control in these companies has changed to joint ventures from 1 January 2014. Accordingly, the group accounted its investments in these companies by using the equity method and recognize the Group's share of profit or loss of these companies for the year 2014 in the consolidated statement of profit or loss and other comprehensive income whereas there were held as available for sale investments and measured of cost at 31 December 2013.

^(**) Since the Group's share of losses in Doğu Aras, a joint venture of the Group, exceeds its interest in this joint venture, the Group recognised a liability of TL 38.480 as the Group is obligated to fund Doğu Aras's operations as at 31 December 2014 (31 December 2013: TL 16.119).

For the years ended 31 December, the movements in net investments in joint ventures were as follows:

	2014	2013
Balance at 1 January	38.375	--
Share of profit / (loss) of equity accounted investees	(41.890)	32.502
Translation	597	5.691
Share capital increases	61.235	--
Transfers from financial investments	47.450	--
Formation of joint ventures	595	182
Balance at 31 December	106.362	38.375

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15 Investments in equity accounted investees (continued)

ii) Associates

Investments in equity-accounted Associates and the Group's share of control are as follows:

	31 December 2014		31 December 2013	
	Carrying value	% of ownership	Carrying value	% of ownership
Associates				
Assets				
Kazakhstan Ijara				
Company KIC Leasing	8.484	14,31	8.475	14,31
IFM	50	5,00	100	5,00
VKŞ (*)	100	100,00	100	100,00
Eurasian Leasing Company	3.025	25,00	--	--
Albania Leasing (**)	3.383	29,99	3.524	29,99
Tapco	559	49,87	631	49,87
TJK	--	40,20	--	40,20
Serdar Pamuk	--	10,00	--	10,00
Balkan Dokuma	--	31,00	--	31,00
Total	15.601		12.830	

(*) Aktif Bank Sukuk Varlık Kiralama A.Ş. ("VKŞ") engages issuance of Sukuk. According to IFRS 10, a company shall have the major effect on the financial statements of the parent company. On the other hand, VKŞ does not have the major effect on the founder of the parent company's financial statements required to be consolidated power, variable power and variable returns to affect returns in order to considered in the consolidation. VKŞ does not meet with consolidation requirements of IFRS 10. Thus it has not been consolidated in the Group's consolidated financial statements as at 31 December 2014 and 2013.

(**) Albania Leasing was established on 2 August 2013 (inception date) as a joint stock company. The company obtained the license from the Bank of Albania on 21 April 2014 and started its leasing activity in June 2014.

For the years ended 31 December, the movements in investments in associates were as follows:

	2014	2013
Balance at 1 January	12.830	33.780
Formation of associate	1.927	--
Share of loss of equity accounted investees	844	(225)
Impairment	--	(33.116)
Capital contribution to share increase in associates	--	12.391
Balance at 31 December	15.601	12.830

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15 Investments in equity-accounted investees (continued)

Summary financial information for equity-accounted associates was presented below:

31 December 2014													
Company name-Associates	Reporting period	Ownership rates (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Profit/(loss)	Group's share of net assets	Carrying amount	Group's share of profit/(loss)
Kazakhstan Ijara Company Jsc.	31 December	14.31	40.030	19.966	59.996	401	309	710	59.286	4.791	8.484	8.484	685
IFM	31 December	5.00	302.917	4.477	307.394	247.833	67.137	314.970	(7.576)	(5.407)	(379)	50	222
VKŞ	31 December	100.00	107.659	--	107.659	107.540	--	107.540	119	6.161	119	100	--
Eurasian Leasing Company	31 December	25.00	7.868	1.565	9.433	1.185	--	1.185	8.248	431	2.062	3.025	10
Albania Leasing Company	31 December	29.99	2.800	1.606	4.406	17	--	17	(3.888)	269	(1.317)	3.383	--
TAPCO	31 December	49.87	1.609	1.569	3.178	2.076	--	2.076	1.102	(145)	550	559	(73)
Total												15.601	844

Summary financial information for equity-accounted joint ventures was presented below:

31 December 2014													
Company name-Associates	Reporting period	Ownership rates (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Profit/(loss)	Group's share of net assets	Carrying amount	Group's share of profit/(loss)
KÇLE	31 December	50,00	150.440	217.663	368.103	115.033	70.140	185.173	182.930	77.138	91.465	91.465	38.569
Doğu Aras	31 December	50,00	180.186	478.240	658.426	296.492	438.894	735.386	(76.960)	(110.136)	(38.480)	(38.480)	(55.068)
Çalık Limak Adı Ortaklığı	31 December	50,00	5.605	--	5.605	3.875	--	3.875	1.730	(466)	865	865	(233)
Atagas Doğalgaz	31 December	50,00	1.127	19	1.146	22	--	22	1.124	--	562	562	--
Polimetel	31 December	50,00	6.733	1.784	8.517	3.200	42	3.242	5.275	(25.575)	4.220	19.158	(20.441)
Tuncpınar	31 December	80,00	1.074	2.421	3.495	394	--	394	3.101	(1.292)	1.551	9.964	(646)
Kartaltepe	31 December	50,00	2.063	9.816	11.879	2.534	--	2.534	9.345	(8.142)	4.673	22.806	(4.071)
LC Electricity	31 December	50,00	40	7	47	3	--	3	44	--	22	22	--
Total												106.362	(41.890)

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15 Investments in equity-accounted investees (continued)

Summary financial information for equity-accounted associates was presented below:

31 December 2013													
Company name-Associates	Reporting period	Ownership rates (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Profit/(loss)	Group's share of net assets	Carrying amount	Group's share of profit/(loss)
Kazakhstan İjara Company Jsc.	31 December	14.31	59.224	--	59.224	--	--	--	59.224	568	8.475	8.475	81
İstanbul Finans Merkezi	31 December	5.00	238.528	--	238.528	243.970	--	243.970	(5.442)	(6.389)	(272)	100	(319)
VKŞ	31 December	100.00	206.381	--	206.381	206.265	--	206.265	116	16	116	100	16
Albania Leasing Company	31 December	29.99	3.524	--	3.524	--	3.524	3.524	--	--	--	3.524	--
TAPCO	31 December	49.87	1.591	1.569	3.160	1.913	--	1.913	1.247	(7)	622	631	(3)
Total												12.830	(225)

Summary financial information for equity-accounted joint ventures was presented below:

Company name-Joint ventures	Reporting period	Ownership rates (%)	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Net assets	Revenue	Total expenses	Profit/(loss)	Group's share of net assets	Carrying amount	Group's share of profit/(loss)
KÇE	31 December	50,00	184.406	226.249	410.655	107.373	195.509	302.882	107.773	473.106	(387.126)	96	53.886	53.872	48.121
Doğu Aras	31 December	50,00	94.675	309.130	403.805	157.179	278.864	436.043	(32.238)	--	(32.482)	(32.482)	(16.119)	(16.119)	(16.241)
Çalık Limak Adı Ortaklığı	31 December	50,00	7.552	--	7.552	6.308	--	6.308	1.244	5.805	(4.561)	1	622	622	622
Total														38.375	32.502

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15 Investments in equity-accounted investees (continued)

The following table summarises cash and cash equivalents, depreciation and amortisation expenses, interest income and interest expenses of significant joint venture before consolidation eliminations and adjustments:

<u>Company name</u>	31 December 2014			
	<u>Cash and cash equivalents</u>	<u>Depreciation and amortisation</u>	<u>Interest income</u>	<u>Interest expense</u>
KÇLE	20.506	(24.173)	154	(6.521)
Doğu Aras	61.422	(4)	1.421	(9.361)
Çalık Limak Adi Ortaklığı	848	--	--	(158)
Kartaltepe	2.055	(60)	--	(43)
Polimetal	5.518	(649)	--	--
Tunçpınar	1.051	(24)	--	--
Atagas Doğalgaz	1.124	--	--	--
LC Electricity	9	--	--	--

<u>Company name</u>	31 December 2013			
	<u>Cash and cash equivalents</u>	<u>Depreciation and amortisation</u>	<u>Interest income</u>	<u>Interest expense</u>
KÇLE	40.406	(12.751)	113	(5.837)

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16 Property, plant and equipment

Movements of property, plant and equipment, and related accumulated depreciation during the years ended 31 December were as follows:

	Land and buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other tangible assets	Construction in progress	Leasehold improvements	Total
Cost								
Balance at 1 January 2013	339.323	987.397	23.098	106.569	6.219	178.770	46.096	1.687.472
Additions	19.247	94.287	5.354	26.882	50.080	190.454	1.539	387.843
Transfers from investment property	640	--	--	--	--	--	--	640
Transfers	12.054	179.548	69	2.815	--	(194.486)	--	--
Foreign currency translation differences	29.113	97.029	3.018	8.838	4	7.390	14	145.406
Acquired through business combinations	--	--	--	22	--	--	--	22
Disposals	(2.295)	(31.460)	(1.690)	(5.897)	(88)	(9.394)	(1.861)	(52.685)
Transfer to disposal group held for sale (**)	(110.052)	(262.527)	(2.220)	(21.236)	(5.172)	(137)	(14.556)	(415.900)
Balance at 31 December 2013	288.030	1.064.274	27.629	117.993	51.043	172.597	31.232	1.752.798
Balance at 1 January 2014	288.030	1.064.274	27.629	117.993	51.043	172.597	31.232	1.752.798
Additions	8.394	14.644	16.933	75.724	773	85.049	5.956	207.473
Transfers	49.576	(2.075)	--	15.188	--	(64.738)	2.049	--
Foreign currency translation differences	806	(15.773)	(179)	119	--	(463)	(97)	(15.587)
Write-off of items that are fully depreciated	(4.694)	(121.975)	(15)	(5.264)	(10)	--	(27)	(131.985)
Disposals	(2.312)	(41.421)	(8.806)	(7.766)	(111)	(1.334)	--	(61.750)
Balance at 31 December 2014	339.800	897.674	35.562	195.994	51.695	191.111	39.113	1.750.949

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16 Property, plant and equipment (continued)

	Land and buildings	Machinery and equipment	Vehicles	Furniture and fixtures	Other tangible assets	Construction in progress	Leasehold improvements	Total
Accumulated depreciation								
Balance at 1 January 2013	(83.545)	(443.481)	(14.222)	(66.555)	(3.472)	--	(30.786)	(642.061)
Current year depreciation	(13.674)	(86.532)	(5.914)	(14.910)	(808)	--	(7.292)	(129.130)
Transfers to investment property	(298)	--	--	--	--	--	--	(298)
Foreign currency translation differences	(10.437)	(20.012)	(508)	(4.998)	5	--	(151)	(36.101)
Disposal	703	5.016	424	2.537	11	--	1.091	9.782
Transfer to disposal group held for sale (**)	7.685	145.083	2.220	10.376	3.543	--	9.626	178.533
Balance at 31 December 2013	(99.566)	(399.926)	(18.000)	(73.550)	(721)	--	(27.512)	(619.275)
Balance at 1 January 2014	(99.566)	(399.926)	(18.000)	(73.550)	(721)	--	(27.512)	(619.275)
Current year depreciation	(13.339)	(61.619)	(11.826)	(21.266)	(3.152)	--	(2.208)	(113.410)
Transfers to investment property	9.953	(9.953)	--	--	--	--	--	--
Foreign currency translation differences	1.579	3.777	(466)	61	(174)	--	118	4.895
Impairment	337	--	2.505	492	2.300	--	--	5.634
Write-off of items that are fully depreciated	4.694	121.975	15	5.264	10	--	27	131.985
Disposal	160	26.088	3.053	5.693	--	--	--	34.994
Balance at 31 December 2014	(96.182)	(319.658)	(24.719)	(83.306)	(1.737)	--	(29.575)	(555.177)
Net carrying value at 1 January 2013	255.778	543.916	8.876	40.014	2.747	178.770	15.310	1.045.411
Net carrying value at 31 December 2013	188.464	664.348	9.629	44.443	50.322	172.597	3.720	1.133.523
Net carrying value at 31 December 2014	243.617	578.017	10.843	112.688	49.958	191.111	9.538	1.195.772

(*) For the year ended 31 December 2013, construction of Hydro Electric Power Plant located in Adacami, Rize, has been completed and transferred to the machinery and equipment and building.

(**) Please refer to Note 5.

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17 Intangible assets

Movements of intangible assets and related accumulated amortisation during the years ended 31 December 2014 and 2013 were as follows

Cost	Goodwill	Licences & software	Electric distribution rights	Brand names	Other intangibles	Total
Balance at 1 January 2013	167.406	91.591	499.073	957.950	71.665	1.787.685
Additions	3.796	7.101	--	--	5.144	16.041
Foreign currency translation differences	--	24.782	--	--	46	24.828
Acquisition through business combinations	--	6	--	--	--	6
Disposals	--	(9.071)	--	--	(3.109)	(12.180)
Transfer to assets held for sale (*)	(167.406)	(10.966)	--	(957.950)	(7.596)	(1.143.918)
Balance at 31 December 2013	3.796	103.443	499.073	--	66.150	672.462
Balance at 1 January 2014	3.796	103.443	499.073	--	66.150	672.462
Additions	--	64.196	--	--	32.996	97.192
Foreign currency translation differences	--	(829)	--	--	(229)	(1.058)
Disposals	--	(3.020)	--	--	(2.243)	(5.263)
Balance at 31 December 2014	3.796	163.790	499.073	--	96.674	763.333
Accumulated amortisation						
Balance at 1 January 2013	--	(26.216)	(38.495)	--	(16.506)	(81.217)
Current year amortisation	--	(36.947)	(19.195)	--	(4.915)	(61.057)
Foreign currency translation differences	--	(181)	--	--	794	613
Disposals	--	450	--	--	104	554
Transfer to assets held for sale (*)	--	5.507	--	--	5.988	11.495
Balance at 31 December 2013	--	(57.387)	(57.690)	--	(14.535)	(129.612)
Balance at 1 January 2014	--	(57.387)	(57.690)	--	(14.535)	(129.612)
Current year amortisation	--	(37.572)	(19.195)	--	(9.479)	(66.246)
Foreign currency translation differences	--	280	--	--	228	508
Disposals	--	21	--	--	126	147
Balance at 31 December 2014	--	(94.658)	(76.885)	--	(23.660)	(195.203)
Net carrying value at 1 January 2013	167.406	65.375	460.578	957.950	55.159	1.706.468
Net book value at 31 December 2013	3.796	46.056	441.383	--	51.615	542.850
Net book value at 31 December 2014	3.796	69.132	422.188	--	73.014	568.130

(*) Please refer to Note 5.

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18 Investment property

As at 31 December, investment properties comprised the following:

	31 December 2014	31 December 2013
Investment property under development	250.119	15.379
Investment property	107.829	287.874
	357.948	303.253

For the years ended 31 December, movements in investment property were as follows:

	31 December 2014	31 December 2013
Balance at 1 January 2013	303.253	645.386
Additions	22.371	41.469
Changes in fair value	32.324	(8.075)
Transfers to trading properties	--	(375.185)
Transfers to property, plant and equipment	--	(342)
Total	357.948	303.253

The Group obtained independent appraisal reports for each item of investment property and measured them at their fair values. Fair value information for all investment property within the scope of IFRS 13 based on fair value hierarchy are as follows:

2014	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment property	--	--	357.948	357.948
Total	--	--	357.948	357.948

2013	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investment property	--	--	303.253	303.253
Total	--	--	303.253	303.253

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18 Investment property (continued)

As at 31 December, fair value of the investment properties is calculated by using the discounted cash flow method and a peer comparison by independent appraisal.

Peer comparison method determines recently listed or sold properties in market and takes into consideration of other factors for the adjustment of value based on size of land of property with current condition and location. For current market outlook the appraisers contact with the property sale intermediaries.

The following table shows the discounted cash flow valuation technique used in measuring the fair value of investment property, as well as the significant unobservable inputs used.

Valuation technique

Discounted cash flows: The valuation model considers the present value of net cash flows to be generated from the property, taking into account expected rental growth rate, void periods, occupancy rate, lease incentive costs such as rent-free periods and other costs not paid by tenants. The expected net cash flows are discounted using risk-adjusted discount rates. Among other factors, the discount rate estimation considers the quality of a building and its location (prime vs secondary), tenant credit quality and lease terms.

Significant unobservable inputs

- ❖ Expected market rental growth, 3%
- ❖ Occupancy rate (100%)
- ❖ Risk-adjusted discount (13%).

As at 31 December 2014, the Group capitalized interest expense amounting to TL 48,593 (accumulated) on investment properties (31 December 2013: TL 30,705 (accumulated)).

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19 Other assets and liabilities

Other current assets

As at 31 December, other current assets comprised the following:

	31 December 2014	31 December 2013
Reserve Deposits at Central Banks (*)	899.076	773.180
Value Added Tax ("VAT") receivables	149.853	102.200
Other income accruals	53.438	16.153
Other current assets	53.423	32.210
	1.155.790	923.743

(*) As at 31 December 2014 and 2013, this amount only consist only of reserve deposits, which represents the mandatory deposit and is not available in the Group's day-to-day operations.

Other short term liabilities

As at 31 December, other short term liabilities comprised the following:

	31 December 2014	31 December 2013
Taxes and funds payable	90.548	46.472
VAT payable	442	23.978
Blockage on corporate collection account	55.698	--
Turkish Football Federation' share on collection of card sales	10.281	--
Other current liabilities	69.452	57.718
	226.421	128.168

20 Due from/due to customers for contract work

Due from customers for contract work and due to customers for contract work were included in the accompanying consolidated statement of financial position under the following captions:

	2014	2013
Due from customers for contract work (Note 10)	1.125.307	708.357
Due to customers for contract work (Note 14)	(160.338)	(150.416)
Total	964.969	557.941

As at 31 December 2013, the details of uncompleted contracts were as follows:

	2014	2013
Total costs incurred on uncompleted contracts	4.293.538	2.264.806
Estimated earnings/(costs)	1.062.103	241.584
Total estimated revenue on uncompleted contracts	5.355.641	2.506.390
Less: Billings to date	(4.390.672)	(1.948.449)
Net amounts due from customers for contract work	964.969	557.941

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21 Loans and borrowings

As at 31 December 2014, loans and borrowings comprised the following:

Short term loans and borrowings	31 December 2014	31 December 2013
Bank loans	469.938	90.255
Current portion of long term loans and borrowings	196.710	624.370
Lease obligations	28.191	40.161
Factoring payables	25.053	2.836
Funds borrowed by the Group's banking subsidiaries	1.336.633	1.050.039
Securities issued	2.996.409	1.917.003
Other financial liabilities	45.010	669
Total	5.097.944	3.725.333

Long term loans and borrowings	31 December 2014	31 December 2013
Bank loans	782.958	832.177
Lease obligations	33.011	14.514
Subordinated liabilities	42.303	29.447
Deferred lease interest payables	(5.271)	(1.197)
Funds borrowed by the Group's banking subsidiaries	225.494	60.612
Securities issued	15.137	--
Total	1.093.632	935.553

As at 31 December 2014, the terms and conditions of outstanding loans and borrowings including factoring payables comprised the following:

31 December 2014					
	Currency	Nominal interest rate (%)	Year of maturity	Nominal value	Carrying amount
Secured bank borrowings	TL	8,10-14,65	2015	231.509	214.474
Secured bank borrowings	TL	Revolving	2015	21.465	21.465
Secured bank borrowings	USD	2,44-10,00	2015-2021	926.312	894.714
Secured bank borrowings	EUR	0,82 - 8,25	2015-2025	107.531	105.172
Unsecured bank borrowings	TL	7,75-14,65	2015-2018	194.405	189.415
Unsecured bank borrowings	USD	3,84-8,25	2015-2017	1.221.637	1.221.305
Unsecured bank borrowings	USD	Spot	2015	17.592	17.592
Unsecured bank borrowings	USD	Revolving	2015	9.741	9.741
Unsecured bank borrowings	EUR	0,15-8,25	2015-2031	405.494	405.211
Debt securities issued	TL	10,00- 13,75	2015	2.639.855	2.449.033
Debt securities issued	USD	0,50 – 4,60	2015-2016	382.391	373.372
Debt securities issued	EUR	1,50 – 3,34	2015	192.646	189.141
				6.350.578	6.090.635

At 31 December 2013, the terms and conditions of outstanding loans and borrowings including factoring payables were as follows:

31 December 2013					
	Currency	Nominal interest rate (%)	Year of maturity	Nominal value	Carrying amount
Unsecured bank borrowings	TL	7,80-11,30	2026-2031	996.015	922.236
Secured bank borrowings	EUR	1,80-6,05	2014	30.000	29.447
Unsecured bank borrowings	USD	1,50-13,50	2014	1.492.679	1.735.217
Debt securities issued	USD	7,70-11,50	2014	1.775.900	1.655.128
Debt securities issued	EUR	3,20-6,40	2014	300.000	261.875
				4.594.594	4.603.903

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21 Loans and borrowings (continued)

As at 31 December 2014, there are mortgages on administrative buildings and investment properties under construction which belong to Gap İnşaat amounting to TL 49,711 (31 December 2013: TL 40,892) and TL 394,066 (31 December 2013: TL 251,195), respectively, against the bank borrowings used.

There are pledges over the 85 (TL 0,85), 115 (TL 1,15) and 192.780.000 (TL 192.780) shares of YEDAŞ, YEPAŞ and ÇEDAŞ, respectively, which are owned by the Group, as a guarantee for the bank borrowings used and will be used by Çalık Holding, ÇEDAŞ, YEDAŞ and YEPAŞ from Ziraat Bankası A.Ş..

22 Derivatives

The carrying values of derivative instruments held at 31 December, were as follows:

	2014		2013	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Forward transactions	197	(1.914)	2.407	(33.180)
Swap transactions	464	(596)	35	--
Currency options	361	--	40	(54)
	1.022	(2.510)	2.482	(33.234)

All derivatives in a net receivable position (positive fair value) are reported as derivative assets. All derivatives in a net payable position (negative fair value) are reported as derivative liabilities.

Further disclosure regarding the derivative contracts of the Group are explained at Note 33.

23 Payables related to employee benefits

As at 31 December, payables related to employee benefits comprised the following:

	31 December 2014	31 December 2013
Social security premiums payable	6.632	4.279
Due to personnel	6.256	4.855
	12.888	9.134

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24 Provisions

As at 31 December, provisions comprised the following items:

	31 December 2014	31 December 2013
<u>Short term provisions</u>		
Short term employee benefits	32.130	30.453
Other short term provisions	27.443	35.640
Total short term provisions	59.573	66.093
<u>Long term provisions</u>		
Long term employee benefits	30.809	26.752
Other short term provisions	232	881
Total long term provisions	31.041	27.633
Total provisions	90.614	93.726

As at 31 December, short-term and long term employee benefits comprised the following items:

	31 December 2014	31 December 2013
<u>Short-term</u>		
Vacation pay liability	11.399	10.435
Bonus provisions	20.265	20.012
Other employee benefits	466	6
	32.130	30.453
<u>Long term</u>		
Employee termination benefits	30.809	26.752
	30.809	26.752

As at 31 December, other provisions comprised the following items:

	31 December 2014	31 December 2013
<u>Short-term</u>		
Provisions for expenses	14.827	21.385
Provision for litigations	12.527	14.076
Other current provisions	89	179
	27.443	35.640
<u>Long-term</u>		
Other	232	881
	232	881

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24 Provisions (continued)

Reserve for employee severance indemnity

In accordance with the existing labour law in Turkey, the Group entities operating in Turkey are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire (age of 58 for women, age of 60 for men) or completed service years of 20 for women or 25 for men, are called up for military service or die. According to change of regulation, dated 8 September 1999, there are additional liabilities for the integration articles.

For the years ended 31 December, the movements in the reserve for employee severance indemnity were as follows:

	2014	2013
Balance at the beginning of the year	26.752	71.620
Interest cost	759	3.803
Cost of services	4.445	21.740
Paid during the year	(1.747)	(11.166)
Actuarial difference	600	(6.594)
Transfer to liabilities held for sale	--	(52.651)
Balance at the end of the year	30.809	26.752

The reserve has been calculated by estimating the present value of future probable obligation of the Group arising from the retirement of the employees.

Actuarial valuation methods were developed to estimate the Group's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	2014	2013
	%	%
Discount rate	2,42	1,22
Interest rate	8,56	8,04
Expected rate of salary/limit increase	6,0-9,0	6,0-8,0
The range of turnover rate to estimate the probability retirement	1,0-6,0	1,0-6,0

The computation of the liability is predicated upon retirement pay ceiling announced by the Government. As at 31 December 2014, the ceiling amount was TL 3,44 thousand (31 December 2013: TL 3,25 thousand).

For the years ended 31 December, the movements in the provisions were as follows:

	1 January 2014	Provision for the reserve	Reversal	Currency translation differences	31 December 2014
Provision for litigations	14.076	2.050	(3.599)	--	12.527
Vacation pay liability	10.435	3.181	(2.217)	--	11.399
Bonus provisions	20.012	12.670	(11.325)	(1.092)	20.265
Employee termination benefits	26.752	5.804	(1.747)	--	30.809
Other expense provisions	21.385	5.292	(11.850)	--	14.827
Other	1.066	875	(1.059)	(95)	787
Total	93.726	29.872	(31.797)	(1.187)	90.614

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24 Provisions (continued)

	1 January 2013	Provision for the reserve	Reversal	Currency translation differences	31 December 2013
Provision for litigations	14.603	9.150	(9.677)	--	14.076
Vacation pay liability	15.805	2.507	(7.877)	--	10.435
Bonus provisions	15.402	7.523	(2.913)	--	20.012
Employee termination benefits	71.619	10.795	(55.662)	--	26.752
Other expense provisions	543	21.134	(292)	--	21.385
Other	--	1.066	--	--	1.066
Toplam	117.972	52.175	(76.421)	--	93.726

25 Commitments and contingencies

Guarantee, pledge and mortgages ("GPM") in respect of commitment and contingencies realised in the ordinary course of business were given as at 31 December 2014 are as follows:

31 December 2014	Original currency (TL equivalent)			
	USD	TL	Others	Total
A Total amount of GPMs given in the name of its own legal personality	344.637	341.627	120.232	806.496
B Total amount of GPMs given in the name of the consolidated subsidiaries and joint ventures	--	192.780	--	192.780
- Total amount of GPMs given in the name of the consolidated subsidiaries	--	192.780	--	192.780
C Total amount of GPMs given to be able to conduct ordinary business transactions to secure payables of third parties				--
D Other GPMs given	5.000			5.000
Total	349.637	534.407	120.232	1.004.276

GPMs in respect of commitment and contingencies realised in the ordinary course of business were given as at 31 December 2013 are as follows:

31 December 2013	Original currency (TL equivalent)			
	USD	TL	Others	Total
A Total amount of GPMs given in the name of its own legal personality	189.050	390.825	128.177	708.052
B Total amount of GPMs given in the name of the consolidated subsidiaries and joint ventures	--	192.780	--	192.780
- Total amount of GPMs given in the name of the consolidated subsidiaries	--	--	--	--
C Total amount of GPMs given to be able to conduct ordinary business transactions to secure payables of third parties	--	--	--	--
D Other GPMs given	--	--	--	--
Total	189.050	583.605	128.177	900.832

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25 Commitments and contingencies (continued)

Details of the commitments and contingent liabilities arising in the ordinary course of the business of the Group comprised the following items as at 31 December:

	31 December 2014	31 December 2013
TETAŞ and TEİAŞ	125.004	165.530
Given to employers of the engineering, procurement, construction projects	621.927	441.980
Pledge on shares	192.780	192.780
Given to banks	54.004	94.338
Given to EMRA	8.870	3.280
Given to others	1.691	2.924
Total contingent liabilities	1.004.276	900.832

Litigation and claims

As at 31 December 2014, the expected cash outflow amount for the pending claims filed against to the Group is TL 12.527 (31 December 2013: TL 14.076). As at 31 December 2014, the provision for litigation and claims are mainly related to the labor cases against the Group. The Group made a provision for the whole amount related to these claims.

Pending tax audits

In Turkey, the tax and other government authorities (Social Security Institution) have the right to inspect the Group's tax returns and accounting records for the past five fiscal years. The Group has not recorded a provision for any additional taxes for the fiscal years that remained unaudited, as the amount cannot be estimated with any degree of uncertainty. The Group's management believes that no material assessment will arise from any future inspection for unaudited fiscal years.

Lease commitments

As at 31 December, non cancellable operating lease commitments are payable as follows:

Operating lease commitment – Group as lessee and rent commitments	2014	2013
Within one year	10.276	5.891
After one year not more than five years	34.719	15.734
More than five years	5.534	3.682
Total	50.529	25.307

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26 Taxation

Turkey

Corporate income tax is levied on the statutory corporate income tax base, which is determined by modifying income for certain tax exclusions and allowances.

Corporate income tax is levied at the rate of 20% (2013: 20%) and advance tax returns are filed on a quarterly basis.

According to the new Corporate Tax Law, 75% (2013: 75%) of the capital gains arising from the sale of properties and investments owned for at least two years are exempted from corporate tax on the condition that such gains are kept under equity as restricted funds within five years from the date of the sale. The remaining 25% of such capital gains are subject to corporate tax.

There is also a withholding tax on the dividends paid and is accrued only at the time of such payments. According to the amendments in the tax legislations, which became effective from 24 April 2003, dividends that are paid to the shareholders from the profits of the years between 1999 and 2002 are immune from the withholding tax, if such profits are exempted from corporation tax bases of the companies. As per the decision no.2006/10731 of the Council of Ministers published in the Official Gazette no.26237 dated 23 July 2006, certain duty rates included in the articles no.15 and 30 of the new Corporate Tax Law no:5520 revised. Accordingly, the withholding tax rate on the dividend payments other than the ones paid to the non resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions, was increased from 10% to 15%. In applying the withholding tax rates on dividend payments to the non resident institutions and the individuals the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes shown in the consolidated financial statements reflects the total amount of taxes calculated on each entity that are included in the consolidation.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue reassessments based on their findings.

Transfer pricing regulations

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a tax payer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

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26 Taxation (continued)

Tax applications for foreign subsidiaries and joint ventures of the Group

Republic of Albania

The applicable corporate tax rate in Republic of Albania is 15% (31 December 2013: 10%). Tax base is by modifying accounting income for certain exclusions and allowances in accordance with the related tax legislations. Non-documented expenses, repayments of loans and borrowings which are four times higher than equity, pre-payments, representation and accommodation expenses and fringe benefits over a certain limit are not subject to reduction for tax purposes.

Republic of Kosovo

The applicable corporate tax rate in Republic of Kosovo is 10% (31 December 2013: 10%).

Under Kosovo tax legislation system, tax losses can be carried forward to be offset against future taxable income for up to seven years.

Republic of Iraq

As at 31 December 2014, the applicable corporate tax rate for the subsidiaries and branches operating in Iraq is 15% (31 December 2013: 15%). Tax losses can be carried forward to be offset against future taxable income for up to five years to the extent of the half of the current year profit when the financial profit is reported. As at 31 December 2014 and 2013, profit generated from Group's operations in Iraq is not subject to corporate tax.

Arab Republic of Egypt

The applicable corporate tax rate for the subsidiaries operating in Egypt is 20% (31 December 2013: 20%). Since the Group is operating in free trade zone of Egypt, the Group is not subject to corporate tax.

United Arab Emirates

As at 31 December 2013, the Group has subsidiaries in the United Arab Emirates located in Dubai. There is no federal corporate tax in United Arab Emirates. However, similar taxes are implemented in different sectors in different emirates. As at 31 December 2014 and 2013, the Group's subsidiaries operating in Dubai are not subject to corporate tax.

USA

As at 31 December 2014, the applicable corporate tax rate for the subsidiary operating in USA is 40% (31 December 2013: 40%) but additional tax applications up to 12% could be charged.

Georgia

According to Georgian law, the corporate income tax rate was reduced to 15% from 20% beginning from 1 January 2008.

Turkmenistan

According to Turkmenistan law, while the corporate tax rate is 8% for local companies, it is 20% for branches of foreign companies and for local companies which have foreign partner. Parent company of branches located in Turkmenistan is tax-exempt due to income generated from construction projects outside Turkey is tax exempt in Turkey. Besides, revenue arising from sales of machinery and equipment which are exported from Turkey and included in construction cost in those countries are subject to corporate tax in Turkey.

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26 Taxation (continued)

Tax applications for foreign subsidiaries and joint ventures of the Group (continued)

Serbia

The applicable corporate tax rate in Serbia is 15%.

Uzbekistan

The applicable corporate tax rate in Uzbekistan is 17,2%.

Tax recognised in profit or loss

Income tax expense for the years ended 31 December comprised the following items:

Reconciliation of effective tax rate

	<i>Continuing operations</i>		<i>Discontinued operations</i>		<i>Total</i>	
	2014	2013	2014	2013	2014	2013
Current corporation and income taxes	62.822	59.159	506	731	63.328	(59.890)
Deferred tax expense / (benefit)	63.077	(21.722)	(7.584)	(32.427)	55.493	54.149
Total income tax expense / (benefit)	125.899	37.437	(7.078)	(31.696)	118.821	5.741

The reported income tax expense for the years ended 31 December are different than the amounts computed by applying statutory tax rate to profit before tax as shown in the following reconciliation:

	2014		2013	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Reported (loss)/ profit before taxation	442.172		(458.234)	
Taxes on reported profit per statutory tax rate of the Company	(88.435)	(20,00)	91.647	20,00
Permanent differences:				
Disallowable expenses	(14.562)	(3,29)	(20.599)	(4,50)
Unrecognised deferred tax assets on temporary differences	--	--	(22.049)	(4,81)
Tax exempt income	105.768	23,92	25.943	5,66
Derecognition of previously recognised deferred tax asset on tax losses	--	--	(11.140)	(2,43)
Effect of different tax rates in foreign jurisdictions	9.676	2,19	2.951	0,64
Investment incentives effect	12.003	2,71	17.061	3,72
Recognition of previously unrecognized temporary differences	(66.095)	(14,95)	--	--
Effect of share of profit of equity-accounted investees	(8.209)	(1,86)	(168)	(0,04)
Current-year losses for which no deferred tax asset is recognised	(75.754)	(17,13)	(123.637)	(26,98)
Utilisation of previously unrecognised tax losses	6.211	1,40	1.789	0,39
Current-year amortisation expense of electricity distribution rights for which no deferred tax asset is recognized	(3.839)	(0,87)	(3.839)	(0,84)
Others, net	(2.663)	(0,60)	4.604	1,00
Tax benefit / (expense)	(125.899)	(28,47)	(37.437)	(8,17)

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26 Taxation (continued)

Current tax assets/liabilities

As at 31 December, current tax assets and liabilities comprised the following:

	2014	2013
Taxes on income	125.899	37.437
Less: Deferred tax expense/ (benefit)	63.077	(21.722)
Corporation taxes paid in advance	(69.444)	(67.633)
Current tax liabilities/(assets), net	(6.622)	(8.474)

As at 31 December 2014, current tax liabilities on income amounting to TL 10.952 (31 December 2013: TL 11.617) is not offset with prepaid taxes amounting to TL 17.574 (31 December 2013: TL 20.091) since they are related to different tax jurisdictions.

Deferred tax assets and liabilities

Deferred tax is provided in respect of taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the differences relating to goodwill not deductible for tax purposes and the initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

Unrecognised deferred tax assets and liabilities

As at 31 December 2014, deferred tax assets amounting to TL 388.512 (31 December 2013: TL 385.064) have not been recognised with respect to the statutory tax losses carried forward and deductible temporary differences amounting to TL 330.072 and TL 58.440, respectively (31 December 2013: TL 260.529 and TL 124.535, respectively). Such losses carried forward expire until 2019. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

The table below shows the expiration date of the tax losses carried forward for which no deferred asset has been recognised:

	2014	2013
2014	--	26.059
2015	70.937	70.937
2016	277.895	297.059
2017	198.503	184.336
2018	724.255	724.255
2019	378.770	--
	1.650.360	1.302.646

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26 Taxation (continued)

Recognised deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities at 31 December are attributable to the items detailed in the table below:

	2014		2013	
	<u>Asset</u>	<u>Liability</u>	<u>Asset</u>	<u>Liability</u>
Vacation pay liability	2.363	--	1.137	--
Employee severance indemnity	6.165	--	5.350	--
Loans and receivables impairment provision	2.017	--	--	(6.782)
Financial assets at fair value through profit or loss	--	(18.180)	--	(13.770)
Available for sale investment securities	437	--	319	(2.104)
Derivative financial instruments	502	(204)	295	(496)
Provisions	4.059	(4.641)	5.675	--
Inventories	--	(51.985)	21.061	--
Deferred income	10.323	--	2.624	--
IAS 39 effect on loans and borrowings	1.810	(2.563)	1.522	(12)
Investment property	--	(85.922)	43.976	(135.522)
Property, plant and equipment and intangible assets	167.473	(23.484)	131.429	(5.646)
Investment incentives	37.165	--	24.991	--
Tax losses carried forward	19.232	--	6.039	--
Loss provision	--	(5.286)	4.053	--
Effect of percentage of completion method	1.990	--	7.173	--
Service concession receivables	--	(95.762)	--	(66.653)
Allowance for doubtful receivables	3.609	--	5.068	--
Security deposits	5.889	--	4.578	--
Other temporary differences	5.325	(8.837)	3.732	(4.853)
Total deferred tax assets/(liabilities)	268.359	(296.864)	269.022	(235.838)
Set off of tax	(144.272)	144.272	(120.908)	120.908
Deferred tax assets/(liabilities), net	124.087	(152.592)	148.114	(114.930)

According to the Tax Procedural Law in Turkey, statutory losses can be carried forward maximum for five years. Consequently, 2019 is the latest year for recovering the deferred tax assets arising from such tax losses carried forward.

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26 Taxation (continued)

Movements in deferred tax balances during the year 2014:

	<i>1</i> January 2014	<i>Effects of</i> translation	<i>Recognised</i> in profit or loss	<i>Discontinued</i> operations	<i>Recognised in</i> other comprehensive income	<i>31</i> December 2014
Vacation pay liability	1.137	--	759	467	--	2.363
Employee severance indemnity	5.350	--	(3.175)	3.990	--	6.165
Loan impairment provision	(6.782)	--	8.799	--	--	2.017
Financial assets at fair value through profit or loss	(13.770)	--	(4.410)	--	--	(18.180)
Available for sale investment securities	(1.785)	--	6.363	--	(4.141)	437
Derivative financial instruments	(201)	--	499	--	--	298
Provisions	5.675	--	(6.257)	--	--	(582)
Inventories	21.061	--	(73.046)	--	--	(51.985)
Deferred income	2.624	--	7.699	--	--	10.323
IAS 39 effect on borrowings	1.510	--	(2.263)	--	--	(753)
Investment property	(91.546)	--	5.624	--	--	(85.922)
Property, plant and equipment and intangible assets	125.783	(389)	15.468	3.127	--	143.989
Investment incentives	24.991	--	12.174	--	--	37.165
Tax losses carried forward	6.039	--	13.193	--	--	19.232
Loss provision	4.053	(1.303)	(8.036)	--	--	(5.286)
Effect of percentage of completion method	7.173	--	(5.183)	--	--	1.990
Service concession receivables	(66.653)	--	(29.109)	--	--	(95.762)
Allowance for doubtful receivables	5.068	--	(1.459)	--	--	3.609
Security deposits	4.578	--	1.311	--	--	5.889
Other temporary differences	(1.121)	(363)	(2.028)	--	--	(3.512)
Total deferred tax assets/(liabilities)	33.184	(2.055)	(63.077)	7.584	(4.141)	(28.505)

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26 Taxation (continued)

Movements in deferred tax balances during the year 2013:

	<i>1 January 2013</i>	<i>Effects of translation</i>	<i>Recognised in profit or loss</i>	<i>Discontinued operation</i>	<i>Recognised in other comprehensive income</i>	<i>31 December 2013</i>
Vacation pay liability	3.592	--	636	(3.091)	--	1.137
Employee severance indemnity	7.508	--	3.702	(5.860)	--	5.350
Loan impairment provision	(5.539)	(1.171)	(72)	--	--	(6.782)
Financial assets at fair value through profit or loss	(23.690)	--	9.920	--	--	(13.770)
Available for sale investment securities	(175)	(3.460)	(5.298)	--	7.148	(1.785)
Derivative financial instruments	(186)	--	(15)	--	--	(201)
Provisions	8.691	80	(3.096)	--	--	5.675
Inventories	362	--	20.699	--	--	21.061
Deferred income	3.039	146	407	(968)	--	2.624
IAS 39 effect on borrowings	(363)	--	1.873	--	--	1.510
Investment property	(76.512)	--	(15.034)	--	--	(91.546)
Property, plant and equipment and intangible assets	101.108	170	17.483	7.022	--	125.783
Investment incentives	7.930	--	17.061	--	--	24.991
Tax losses carried forward	129.160	--	(30.098)	(93.023)	--	6.039
Loss provision	443	--	3.610	--	--	4.053
Effect of percentage of completion method	--	--	7.173	--	--	7.173
Service concession receivables	(48.106)	--	(18.547)	--	--	(66.653)
Allowance for doubtful receivables	358	--	4.710	--	--	5.068
Security deposits	3.342	--	1.236	--	--	4.578
Other temporary differences	(653)	(5.840)	5.372	--	--	(1.121)
Total deferred tax assets/(liabilities)	110.309	(10.075)	21.722	(95.920)	7.148	33.184

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27 Capital and reserves

Paid in capital

At 31 December 2014, the Group's statutory nominal value of authorised and paid-in share capital is TL 400.000 (31 December 2013: TL 240.852) comprising of 400.000.000 registered shares (31 December 2013: 240.852.000) having par value of full TL 1 (31 December 2013: full TL 1) each.

At 31 December, the shareholding structure of Çalık Holding based on the number of shares is presented below:

	2014		2013	
	<i>Thousand of shares</i>	<i>%</i>	<i>Thousand of shares</i>	<i>%</i>
Ahmet Çalık	399.999	99,99	240.828	99,99
Other	1	0,01	24	0,01
	400.000	100,00	240.852	100,00

As per the Board of Directors' Meeting dated 17 December 2014, the Company has increased its share capital by a total amount of TL 159.148. In this regard TL 100.414 were offset from current accounts of shareholders whereas the remaining TL 58.734 has been transferred from the retained earnings to the share capital of the Company.

Restricted reserves

The legal reserves are established by annual appropriations amounting to 5% of income disclosed in the Group's statutory accounts until it reaches 20% of paid-in share capital (first legal reserve). Without limit, a further 10% of dividend distributions in excess of 5% of share capital is to be appropriated to increase legal reserves (second legal reserve). The first legal reserve is restricted and is not available for distribution as dividend unless it exceeds 50% of share capital. In the accompanying consolidated financial statements, the total of the legal reserves included in the restricted reserves of the consolidated entities amounted to TL 278.012 as at 31 December 2014 (31 December 2013: TL 174.764).

Non-controlling interests

For the years ended 31 December, movements of the non-controlling interest were as follows:

	2014	2013
Non controlling interest at the beginning of the year	164.936	283.667
Net loss for the year attributable to non controlling interest	(20.270)	(117.859)
Net fair value change in financial assets available for sale	--	(72)
Foreign currency translation differences	(874)	(782)
Sale of interests in consolidated subsidiaries resulting loss of control	(52.236)	--
Change in non-controlling interests in an entity under common control	(1.325)	--
Dividend distribution	(1.385)	(18)
Balance at the end of the year	88.846	164.936

Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

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28 Revenue and cost of sales

For the years ended 31 December, revenue and cost of sales comprised the following:

	2014	2013
Domestic sales	2.343.028	1.663.241
Export sales	3.011.983	1.573.317
Other sales	30.184	3.214
Sales discounts (-)	(16.109)	(10.739)
Subtotal	5.369.086	3.229.033
Cost of sales (-)	(4.252.781)	(2.673.796)
Gross profit from non-finance operations	1.116.305	555.237
Revenue from finance sector operations	637.444	643.692
Cost of revenues from finance sector operations (-)	(266.036)	(267.084)
Gross profit from finance sector activities	371.408	376.608
Gross profit	1.487.713	931.845

The Group recognises a depreciation and amortisation amount of TL 113,337 in the cost of sales.

29 General and administrative expenses, selling, marketing and distribution expenses, and research and development expenses

For the years ended 31 December, general and administrative expenses comprised the following:

	2014	2013
Personnel expenses	282.190	226.655
Depreciation and amortisation expenses	64.161	56.245
Consulting expenses	34.522	31.669
Rent expense	32.568	20.815
Travel and accommodation expenses	29.180	17.968
Insurance expenses	21.616	16.268
Maintenance and repair expenses	16.701	12.573
Communication and information expenses	15.527	10.205
Representation expenses	12.456	7.070
Taxes, duties and fees other than on income	11.660	13.820
Utility expenses	5.616	3.115
Office expenses	4.928	3.045
Cleaning expenses	3.833	1.108
Security expenses	3.499	2.772
Provision for employee severance payment indemnity	912	1.189
Other	50.079	16.873
	589.448	441.390

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29 General and administrative expenses, selling, marketing and distribution expenses, and research and development expenses (continued)

For the years ended 31 December, selling, marketing and distribution expenses comprised the following:

	2013	2012
Personnel expenses	65.316	60.380
Advertising and promotion expenses	55.195	39.363
Maintenance and repair expenses	73.056	31.843
Transportation expenses	22.325	23.340
Commission expense	12.804	10.736
Depreciation and amortization expenses	2.158	6.098
Consulting expenses	2.219	3.909
Rent expense	6.508	3.413
Travel and accommodation expenses	5.142	3.194
Taxes, duties and fees	6.268	2.725
Communication and information expenses	3.145	2.460
Fair expenses	1.517	1.407
Security expenses	1.555	1.250
Office expenses	10.657	1.169
Other	10.343	19.245
	278.208	210.532

For the years ended 31 December, research and development expenses comprised the following:

	2014	2013
Personnel expenses	16.552	4.690
Travel and accommodation expenses	3.644	2.196
Consulting expenses	1.452	3.544
Other	14.042	9.903
	35.690	20.333

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30 Other income and expenses

For the years ended 31 December, other income comprised the following:

	2014	2013
Foreign exchange gains	220.226	44
Fair value gain on revaluation of investment properties	32.324	56.119
Interest income	43.840	2.184
Rediscount interest income	40.114	31.457
Recoveries/reversals of provisions made	61.432	33.208
Other income from operating activities	86.447	42.340
	484.423	165.352

For the year ended 31 December, other operating expenses comprised the following

	2014	2013
Foreign exchange losses	56.600	56.913
Provision for doubtful receivables	21.995	39.782
Provision expenses	23.397	10.526
Rediscount interest expense	3.387	962
Fair value loss on revaluation of investment properties	--	64.194
Impairment of loans and receivables of finance sector entities	21.368	62.039
Other expense from operating activities	20.488	149.984
	147.235	384.400

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31 Gain and loss from investing activities

For the years ended 31 December, gains from investing activities comprised the following:

	2014	2013
Gain on financial assets at fair value through profit or loss	27.115	--
Gain from sale of derivative financial instruments	16.733	--
Gain on sale of property, plant and equipment	10.612	23.361
Net gain on other investment activities	6.818	5.549
Foreign exchange gains	9	5.363
Dividend income from equity securities	7	9.053
Other	2.025	18.986
	63.319	62.312

For the years ended 31 December, losses from investing activities comprised the following:

	2014	2013
Loss on sale of derivative financial instruments	31.061	45.374
Loss on sale of property, plant and equipment	5.358	--
Loss on other investment activities	3.321	10.740
Foreign exchange losses	273	28
Loss on financial assets at fair value through profit or loss	--	42.103
Other	5.084	9.008
	45.097	107.253

32 Finance income and finance costs

For the years ended 31 December, finance income comprised the following:

	2014	2013
Foreign exchange gains on borrowings	35.871	51.826
Other	4.143	337
	40.014	52.163

For the years ended 31 December, finance costs comprised the following:

	2014	2013
Interest expense on borrowings	263.642	186.584
Foreign exchange losses on borrowings	210.270	261.224
Expenses on letters of guarantees	11.063	12.815
Financing expenses on factoring activities	654	3.565
Other	10.944	40.971
	496.573	505.159

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33 Financial instruments – Fair values and risk management

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risks, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

Risk management activities are conducted by a realistic organizational structure and it is fully supported with the commitment of top level management.

Group acts proactively in terms of risk management in order to ensure that its business operations in different industries and regions are not adversely affected as a result of market, operational, liquidity and counterparty risks. Risk Management and internal audit departments within each sector and at the Group level provide and maintain awareness for different types of risks, including emerging risks, and ensure that appropriate risk management mechanisms are in place.

Banking:

Risk management framework

For the Group's banking group, Aktifbank and BKT actively use collateral management as the major risk mitigation mechanism. The Board of Directors of the Group's banking group has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit Committee and Risk Management Department, which are responsible for developing and monitoring the Group's banking group's risk management policies in their specified areas. The Audit Committee has non-executive members and report regularly to the Board of Directors on their activities.

The Group's banking group's risk management policies are established to identify and analyse the risks faced, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Group's banking group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Audit Committee is responsible for monitoring compliance with the risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee is assisted in these functions by Internal Audit. Internal Audit undertakes both regular and ad-hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

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33 Financial instruments – Fair values and risk management (continued)

Financial risk management (continued)

Credit risk:

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The Group's principal financial assets are cash and cash equivalents, financial investments, trade receivables and other receivables. The Group requires a certain amount of collateral in respect of its account receivable. Credit evaluations are performed on all customers requiring credit over a certain amount on individual level.

At reporting date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position.

Banking:

Impaired loans and advances to customers and investment securities

Impaired loans and advances to customers and investment debt securities are those for which the Group's banking group determines that it is probable that it will be unable to collect all principal and interest due to according to the contractual terms of the loans and investment debt securities.

Allowance for impairment

The Group's banking group establishes an allowance for impairment losses on assets carried at amortised cost that represents its estimate of incurred losses in its loans and advances to customers and investment in debt security portfolio. This allowance is a specific loss component that relates to individually significant exposures.

Due to the increase in the consumer loan portfolio of Aktifbank and the availability of the historical trends of the probability of default, starting from 1 January 2012, Aktifbank started to provide collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified except for loans and receivables subject to individual assessment for impairment.

Write-off policy

The Group's banking group write off a loan or investment debt security balance, and any related allowances for impairment losses, when the Group's banking subsidiaries determine that the loan or security is uncollectible. This determination is reached after considering information such as occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the Group's banking subsidiaries have made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring.

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33 Financial instruments – Fair values and risk management (continued)

Credit risk (continued):

Exposure to credit risk:

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December was:

31 December 2014	Receivables				Cash at banks and other cash and cash equivalents ^(*)	Financial investments ^(**)	Receivables from finance sector operations	Derivatives
	Trade receivables		Other receivables					
	Related party	Third party	Related party	Third party				
Maximum credit risk exposure at reporting date (A+B+C+D)	1.014	2.560.130	60.155	388.663	566.237	3.613.741	4.354.593	1.022
Portion of maximum risk covered by guarantees	--	--	--	--	--	--	--	--
A. Carrying value of financial assets that are neither past due nor impaired	1.014	2.541.211	60.155	388.663	566.237	3.613.741	4.291.894	1.022
B.Carrying value of financial assets that are past due but not impaired	--	18.919	--	--	--	--	--	--
C. Carrying value of impaired assets	--	--	--	--	--	--	62.699	--
Past due (gross carrying amount)	--	153.024	--	7.021	--	--	180.787	--
- Impairment (-)	--	(153.024)	--	(7.021)	--	--	(118.088)	--
- The part of net value under guarantee with collateral etc	--	--	--	--	--	--	--	--
Not past due (gross carrying amount)	--	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--	--
D. Elements including credit risk on off statement of financial position	--	--	--	--	--	--	--	--

(*) This excludes balances of central banks.

(**) Equity securities are excluded.

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33 Financial instruments – Fair values and risk management (continued)

Credit risk (continued):

Exposure to credit risk (continued):

31 December 2013	Receivables				Cash at banks and other cash and cash equivalents ^(*)	Financial investments ^(**)	Receivables from finance sector operations	Derivatives
	Trade receivables		Other receivables					
	Related party	Third party	Related party	Third party				
Maximum credit risk exposure at reporting date (A+B+C+D)	157.277	1.967.221	30.530	315.040	614.083	2.925.184	3.805.626	2.482
Portion of maximum risk covered by guarantees	--	--	--	--	--	--	--	--
A. Carrying value of financial assets that are neither past due nor impaired	157.277	1.896.384	30.530	315.040	614.083	2.925.184	3.780.010	2.482
B. Carrying value of financial assets that are past due but not impaired	--	70.837	--	--	--	--	--	--
C. Carrying value of impaired assets	--	--	--	--	--	--	25.616	--
Past due (gross carrying amount)	--	163.610	--	7.292	--	--	145.310	--
- Impairment (-)	--	(163.610)	--	(7.292)	--	--	(119.694)	--
- The part of net value under guarantee with collateral etc	--	--	--	--	--	--	--	--
Not past due (gross carrying amount)	--	--	--	--	--	--	--	--
- Impairment (-)	--	--	--	--	--	--	--	--
D. Elements including credit risk on off statement of financial position	--	--	--	--	--	--	--	--

(*) This excludes balances of central banks.

(**) Equity securities are excluded.

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33 Financial instruments – Fair values and risk management (continued)

Credit risk (continued):

Impairment losses

The aging of trade receivables at the reporting date was:

	2014		2013	
	<u>Gross</u>	<u>Impairment</u>	<u>Gross</u>	<u>Impairment</u>
Not past due	2.542.225	--	2.053.661	--
Past due 0-30 days	14.164	--	44.223	--
Past due 31-120 days	1.963	--	25.481	--
Past due 121-365 days	2.792	--	1.133	--
More than one year	153.024	(153.024)	163.610	(163.610)
Total	2.714.168	(153.024)	2.288.108	(163.610)

Liquidity risk

Liquidity risk arises in the general funding of the Group's activities and in the management of positions. It includes both risk of being unable to fund assets at appropriate maturities and rates and risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Group has access to funding sources from banks and keeps certain level assets as cash and cash equivalents. The Group continuously assesses liquidity risk by identifying and monitoring changes in funding required in meeting business goals and targets set in terms of the overall Group strategy.

Banking:

Management of liquidity risk

The Group's banking group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to their reputation.

The Group's banking group funds its short-term liquidity with interbank. In the case of long-term liquidity need, the Group's banking group utilises capital market instruments. Additionally, the Group's banking group also funds itself from the domestic and foreign market when it needs additional funds.

Exposure to liquidity risk

The key measure used by the Group's banking group for managing liquidity risk is the ratio of net liquid assets to short-term funds borrowed. For this purpose net liquid assets are considered as including cash and cash equivalents and trading debt securities for which there is an active and liquid market less any short-term funds borrowed and commitments.

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33 Financial instruments – Fair values and risk management (continued)

Liquidity risk (continued)

As at 31 December, the followings are carrying amounts, contractual cash flows and the contractual maturities of financial liabilities are as follows:

31 December 2014	Carrying amount	Contractual cash flows	3 months or less	3-12 Months	1-5 Years	More than five year
Non-derivative financial liabilities						
Payables related to finance sector operations	(6.240.277)	(6.410.855)	(3.615.976)	(2.293.376)	(460.736)	(40.767)
Loans and borrowings	(6.191.586)	(6.279.260)	(3.165.528)	(2.004.604)	(1.020.074)	(89.054)
	(12.431.863)	(12.690.115)	(6.781.504)	(4.297.980)	(1.480.810)	(129.821)
	Carrying amount	Expected cash flows	3 months or less	3-12 Months	1-5 Years	More than five year
Trade payables	(963.947)	(1.003.750)	(529.355)	(362.772)	(111.623)	--
Other payable	(360.260)	(360.261)	(63.583)	(178.953)	(117.725)	--
Payable related to employee benefits	(12.888)	(12.888)	--	(12.888)	--	--
	(1.337.095)	(1.376.899)	(592.938)	(554.613)	(229.348)	--
Derivative financial liabilities						
Currency forwards						
Outflow	(2.510)	15.188	11.213	4.975	--	--
Inflow	1.022	(16.546)	(11.503)	(5.043)	--	--
Total	(13.770.446)	(14.068.372)	(7.374.732)	(4.844.934)	(1.717.885)	(129.821)

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33 Financial instruments – Fair values and risk management (continued)

Liquidity risk (continued)

31 December 2013	Carrying amount	Contractual cash flows	3 months or less	3-12 Months	1-5 Years	More than five year
Non-derivative financial liabilities						
Payables related to finance sector operations	(6.110.855)	(6.504.647)	(3.967.072)	(2.148.527)	(364.141)	(24.907)
Borrowings	(4.660.886)	(4.950.066)	(2.588.114)	(1.230.128)	(914.956)	(216.868)
	(10.771.741)	(11.454.713)	(6.555.186)	(3.378.655)	(1.279.097)	(241.775)
	Carrying amount	Expected cash flows	3 months or less	3-12 Months	1-5 Years	More than five year
Trade payables	(920.284)	(920.284)	(366.338)	(398.767)	(155.179)	--
Other payable	(430.822)	(430.822)	(265.656)	(69.342)	(95.824)	--
	(1.351.106)	(1.351.106)	(631.994)	(468.109)	(251.003)	--
Derivative financial liabilities						
Currency forwards						
Outflow	(33.234)	(363.032)	(348.793)	--	--	--
Inflow	2.482	382.034	382.034	--	--	--
Total	(12.153.599)	(12.786.817)	(7.153.939)	(3.846.764)	(1.530.100)	(241.775)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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33 Financial instruments – Fair values and risk management (continued)

Interest rate risk

The Group's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprise at different times or in differing amounts. In the case of floating rate assets and liabilities the Group is also exposed to basis risk, which is the difference in reprising characteristics of the various floating rate indices, such as six months Libor and different types of interest. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Group's business strategies.

Profile

As at 31 December, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	<u>2014</u>	<u>2013</u>
Fixed rate instruments		
Financial assets	9.834.811	8.241.348
Financial liabilities	13.201.094	10.275.673
 Değişken faizli kalemler		
Finansal yükümlülükler	--	53.357

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss and the Group does not designate derivatives (interest rate swaps) as hedging instruments under fair value hedge accounting model. Therefore, a change in interest rate as of the reporting date would not affect profit or loss and equity.

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33 Financial instruments – Fair values and risk management (continued)

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are Euro and USD.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group is exposed to currency risk through the impact of rate changes on the translation of foreign currency denominated payables and bank borrowings from financial institutions. Such risk is monitored by the Board of Directors and limited through taking positions within approved limits as well as using derivative instruments where necessary.

To minimise risk arising from foreign currency denominated statement of financial position items, the Group sometimes utilises derivative instruments as well as keeping part of its idle cash in foreign currencies.

At 31 December 2014, the currency risk exposures of the Group in TL equivalents are as follows:

	31 December 2014			
	<u>Total</u>	<u>USD</u>	<u>EUR</u>	<u>Other^(*)</u>
Foreign currency monetary assets				
Cash and cash equivalents	436.743	102.047	35.279	100.594
Financial investments	1.118.671	175.071	189.995	176.780
Receivables from finance sector operations	1.793.093	192.594	477.067	824
Trade receivables	990.019	376.900	29.956	31.529
Other receivables	236.433	97.180	--	11.084
Total foreign currency monetary assets	4.574.959	943.792	732.297	320.811
Foreign currency monetary liabilities				
Loans and borrowings	(3.216.248)	(1.085.309)	(247.997)	--
Payables from finance sector operations	(2.716.861)	(154.947)	(802.937)	(92.709)
Trade payables	(295.875)	(54.752)	(59.237)	(1.823)
Other payables	(231.685)	(23.064)	(51.080)	(34.118)
Total foreign currency liabilities	(6.460.669)	(1.318.072)	(1.161.251)	(128.650)
Net statement of financial position	(1.885.710)	(374.280)	(428.954)	192.161
Currency forwards	142.862	25.968	29.299	--
Net off statement of financial position	142.862	25.968	29.299	--
Net foreign currency position	(1.742.848)	(348.312)	(399.655)	192.161

(*) TL equivalents are given.

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33 Financial instruments – Fair values and risk management (continued)

Currency risk (continued)

At 31 December 2013, the currency risk exposures of the Group in TL equivalents are as follows:

	31 December 2013			
	<u>Total</u>	<u>USD</u>	<u>EUR</u>	<u>Other^(*)</u>
Foreign currency monetary assets				
Cash and cash equivalents	474.162	46.890	124.230	9.282
Financial investments	945.327	137.942	147.042	219.127
Receivables from finance sector operations	1.803.321	231.475	445.461	1.189
Trade receivables	452.065	189.212	16.364	177
Other receivables	95.649	7.462	22.713	13.025
Total foreign currency monetary assets	3.770.524	612.981	755.810	242.800
Foreign currency monetary liabilities				
Loans and borrowings	(3.681.667)	(1.588.504)	(99.207)	--
Payables from finance sector operations	(3.111.554)	(277.728)	(819.109)	(113.484)
Trade payables	(453.845)	(103.746)	(74.073)	(14.905)
Other payables	(52.325)	(4.402)	(6.088)	(25.053)
Total foreign currency liabilities	(7.299.391)	(1.974.380)	(998.477)	(153.442)
Net statement of financial position	(3.528.867)	(1.361.399)	(242.667)	89.358
Currency forwards	153.433	36.874	25.449	--
Net off statement of financial position	153.433	36.874	25.449	--
Net foreign currency position	(3.375.434)	(1.324.525)	(217.218)	89.358

(*) TL equivalents are given.

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33 Financial instruments – Fair values and risk management (continued)

Currency risk (continued)

Sensitivity analysis

A strengthening/weakening of the TL against the other currencies below would have increased/(decreased) the comprehensive income and profit/loss (excluding the tax effect) as of 31 December as follows:

31 December 2014	Profit / (Loss)		Equity	
	Strengthening of TL	Weakening of TL	Strengthening of TL	Weakening of TL
Increase/(decrease) 10% of US Dollar parity				
1-US Dollar net asset / liability	80.770	(80.770)	--	--
2-Hedged portion of US Dollar amounts(-)	--	--	--	--
3-Net effect of US Dollar (1+2)	80.770	(80.770)	--	--
Increase/(decrease) 10% of EUR parity				
4-EUR net asset / liability	112.731	(112.731)	--	--
5-Hedged portion of EUR amounts(-)	--	--	--	--
6-Net effect of EUR (4+5)	112.731	(112.731)	--	--
Increase/(decrease) 10% of other parities				
7-Other foreign currency net asset / liability	(19.216)	19.216	--	--
8-Hedged portion of other foreign currency amounts(-)	--	--	--	--
9-Net effect of other foreign currencies (7+8)	(19.216)	19.216	--	--
TOTAL (3+6+9)	174.285	(174.285)	--	--

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33 Financial instruments – Fair values and risk management (continued)

Currency risk (continued)

31 December 2013	Profit / (Loss)		Equity	
	Strengthening of TL	Weakening of TL	Strengthening of TL	Weakening of TL
Increase/(decrease) 10% of US Dollar parity				
1-US Dollar net asset / liability	282.693	(282.693)	--	--
2-Hedged portion of US Dollar amounts(-)	--	--	--	--
3-Net effect of US Dollar (1+2)	282.693	(282.693)	--	--
Increase/(decrease) 10% of EUR parity				
4-EUR net asset / liability	63.786	(63.786)	--	--
5-Hedged portion of EUR amounts(-)	--	--	--	--
6-Net effect of EUR (4+5)	63.786	(63.786)	--	--
Increase/(decrease) 10% of other parities				
7-Other foreign currency net asset / liability	(8.936)	8.936	--	--
8-Hedged portion of other foreign currency amounts(-)	--	--	--	--
9-Net effect of other foreign currencies (7+8)	(8.936)	8.936	--	--
TOTAL (3+6+9)	337.543	(337.543)	--	--

Capital management

The Group's objectives when managing capital include:

- to comply with the capital requirements required by the regulators of the financial markets where the Group operates;
- to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders.

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33 Financial instruments – Fair values and risk management (continued)

Capital management (continued)

Banking:

Aktifbank

The Aktifbank's lead regulator, BRSA sets and monitors capital requirements for the Aktifbank as a whole.

The capital adequacy ratio calculations are made in accordance with the "Regulation on Measurement and Evaluation of Capital Adequacy of Banks" published in Official Journal No 28337 of 28 June 2012 from 1 July 2012. Standard Method is used to calculate market risk which is included in computation of capital adequacy ratio.

In implementing current capital requirements of BRSA requires Aktifbank to maintain an 8% ratio of total capital to total risk-weighted assets.

As at 31 December 2014, the Aktifbank's capital adequacy ratio is 12,73% (31 December 2013: 13,23%).

BKT

BKT's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholder's return is also recognised and BKT recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. There have been no material changes in BKT's management of capital during the period.

Regulatory capital: BKT monitors the adequacy of its capital using, among other measures, the rules and ratios established by the Albanian regulator, the Bank of Albania ("BoA"), which ultimately determines the statutory capital required to underpin its business. The regulation "On capital adequacy" is issued pursuant to Law No. 8269 date 23 December 1997 "On the Bank of Albania", and Law No. 9662 dated 18 December 2006 "On Banks in the Republic of Albania".

Capital Adequacy Ratio: The Capital Adequacy Ratio is the proportion of the regulatory capital to risk weighted assets and 'off balance-sheet' items, expressed as a percentage. The minimum Capital Adequacy Ratio required by Bank of Albania is 12%, while BKT has maintained this ratio at 15,6% as at 31 December 2013 (31 December 2013: 14,6%).

The Modified Capital Adequacy Ratio is the proportion of the base capital to risk-weighted assets and 'off balance-sheet' items, expressed as a percentage. The minimum modified capital adequacy is 6%, while BKT has maintained this ratio at 14,5% as at 31 December 2014 (31 December 2013: 13,5%).

Risk-Weighted Assets (RWAs): Assets are weighted according to broad categories of notional risk, being assigned a risk weighting according to the amount of capital deemed to be necessary to support them. Five categories of risk weights (0%, 20%, 50%, 100%, 150%) are applied; for example cash and money market instruments with Bank of Albania have a zero risk weighting, which means that no capital is required to support the holding of these assets. Property and equipment carries a 100% risk weighting, meaning that capital equal to 12% of the carrying amount must support it. Off-balance-sheet credit related commitments are taken into account. The amounts are then weighted for risk using the same percentages as for on-balance-sheet assets.

Compliance: BKT and its individually regulated operations have complied with all internally and externally imposed capital requirements throughout the year.

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33 Financial instruments – Fair values and risk management (*continued*)

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group's operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Group standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions,
- compliance with regulatory and other legal requirements,
- documentation of controls and procedures,
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified,
- requirements for the reporting of operational losses and proposed remedial action,
- development of contingency plans,
- training and professional development,
- ethical and business standards,
- risk mitigation, including insurance where this is effective.

Compliance with Group standards is supported by a programme of periodic reviews undertaken by Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the senior management of the Group.

Fair value information

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or in its absence, the most advantageous market to which the Group has access at that date.

When available, the Group measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. If there is no quoted market price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs.

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33 Financial instruments – Fair values and risk management (continued)

Fair value information

The table below shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2014	Held-for trading	Designated at fair value	Loans and receivables	Available for-sale	Held to maturity	Other financial liabilities	Carrying values Total	Level 1	Level 2	Level 3	Fair values Total
Financial assets measured at fair value											
Financial investments	--	363.604	--	3.205.247	--	--	3.569.991	3.206.387	--	363.604	3.569.991
Derivatives	1.022	--	--	--	--	--	1.022	--	1.022	--	1.022
Financial assets not measured at fair value											
Financial investments	--	--	--	36.558	477.978	--	513.396	--	--	510.023	510.023
Trade receivables	--	--	2.561.144	--	--	--	2.561.144	--	--	--	--
Other receivables	--	--	448.818	--	--	--	448.818	--	--	--	--
Cash and cash equivalents	--	--	824.696	--	--	--	824.696	--	--	--	--
Receivables related to finance sector operations	--	--	4.354.593	--	--	--	4.354.593	--	--	4.325.456(**)	4.325.456
	1.022	363.604	8.189.251	3.241.805	477.978	--	12.273.660	--	--	--	--
Financial liabilities measured at fair value											
Derivatives	(2.510)	--	--	--	--	--	(2.510)	--	(2.510)	--	(2.510)
Financial liabilities not measured at fair value											
Loans and borrowings	--	--	--	--	--	(6.191.586)	(6.191.586)	--	--	(6.140.864)(**)	(6.140.864)
Trade payables	--	--	--	--	--	(963.947)	(963.947)	--	--	--	--
Payables related to finance sector operations	--	--	--	--	--	(6.240.277)	(6.240.277)	--	--	--	--
Other payables(*)	--	--	--	--	--	(211.574)	(211.574)	--	--	--	--
	(2.510)	--	--	--	--	(13.607.384)	(13.609.894)	--	--	--	--

(*) Deposits and guarantees given are excluded from other liabilities.

(**) Calculated for disclosure purpose.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

33 Financial instruments – Fair values and risk management (continued)

Fair value information (continued)

The table below shows the carrying amount and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

31 December 2013	Held-for trading	Designated at fair value	Loans and receivables	Available for-sale	Held to maturity	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets measured at fair value											
Financial investments	--	385.028	--	2.521.306	--	--	2.906.334	2.521.306		385.028	2.906.334
Derivatives	2.482						2.482		2.482		2.482
Financial assets not measured at fair value											
Financial investments	--	--	--	81.747	464.756	--	546.503				
Trade receivables	--	--	2.124.498	--	--	--	2.124.498			2.115.629(**)	2.115.629
Other receivables	--	--	345.570	--	--	--	345.570				
Cash and cash equivalents	--	--	761.556	--	--	--	761.556				
Receivables related to finance sector operations	--	--	3.805.626	--	--	--	3.805.626				
	2.482	385.028	7.037.250	2.603.053	464.756	--	10.492.569				
Financial liabilities measured at fair value											
Derivatives	--	--	--	--	(33.234)	--	(33.234)	--	(33.234)	--	(33.234)
Financial liabilities not measured at fair value											
Loans and borrowings	--	--	--	--	--	(4.660.886)	(4.660.886)	--	--	(6.140.864)(**)	(6.140.864)
Trade payables	--	--	--	--	--	(920.284)	(920.284)				
Payables related to finance sector operations	--	--	--	--	--	(6.110.855)	(6.110.855)				
Other payables(*)	--	--	--	--	--	(305.795)	(305.795)				
	--	(33.234)	--	--	--	(11.997.820)	(12.031.054)				

(*) Deposits and guarantees given are excluded from other liabilities

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

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(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

33 Financial instruments – Fair values and risk management (continued)

Fair value information (continued)

Fair value hierarchy

The fair value hierarchy consists of three levels, depending upon whether fair values are determined based on quoted prices in an active market (Level 1), valuation techniques with observable inputs (Level 2) or valuation techniques that incorporate inputs which are unobservable and which have significant impact on the fair value of the instrument (Level 3):

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: This category includes inputs that are quoted market prices (unadjusted) in active markets for identical instruments. These are instruments where the fair value can be determined directly from prices which are quoted in active, liquid markets and where the instrument observed in the market is representative of that being priced in the Group's portfolio.
- Level 2: This category includes inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: This category includes all instruments where the valuation technique uses inputs based on unobservable data, which could have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant, unobservable adjustments or assumptions are required to reflect differences between instruments. Unobservable in this context means that there is little or no current market data available from which the price at which an arm's length transaction would be likely to occur can be derived.

Valuation models

The Group uses following assumptions to estimate the fair value of financial instruments:

Equity securities: Fair values of publicly traded equity securities are based on quoted market prices where available. In the case of where no quoted market is available, fair value is determined based on quoted prices for similar securities or other valuation techniques. Valuation techniques include discounted cash flow models and transaction multiple methods. Where equity securities are not traded in stock exchange and have no quoted market price, and therefore their fair value cannot be reliably estimated since there is significant variability in the range of reasonable fair value estimates and the probabilities of the various estimates within the range cannot be assessed reasonably, they are measured at cost less impairment, if any, and their fair values are expected to approximate to their costs.

Valuation of equity securities designated as at fair value through profit or loss was carried out by an independent appraiser firm as at 31 December 2014. Discounted cash flow method was used as valuation method and the fair value of this investment was assessed TL 363.604 (equivalent to USD 156.800) (31 December 2013: TL 385.028 (equivalent to USD 180.400)).

Debt securities: Fair values are based on quoted market prices, where available. Quoted market prices may be obtained from an exchange, dealer, broker, pricing service or regulatory service. If quoted prices in an active market are not available, fair value is based on an analysis of available market inputs, which may include values obtained from one or more pricing services or by a valuation technique that discounts expected future cash flows using a market interest rate curves, referenced credit spreads and maturity of the investment.

Çalık Holding Anonim Şirketi and its Subsidiaries

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As at and for the Year Ended 31 December 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

33 Financial instruments – Fair values and risk management *(continued)*

Fair value information (continued)

Valuation models (continued)

Derivative assets and liabilities: Derivatives are valued using valuation techniques. The valuation techniques and inputs depend on the type of derivative and the nature of the underlying instruments. Observable prices or model inputs are usually available in the market for exchange-traded derivatives and simple over-the-counter derivatives.

Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. The principal technique used to value these instruments are based on discounted cash flows. These valuation models calculate the present value of expected future cash flows. Inputs to valuation models are determined from observable market data where possible. The inputs used include prices available from exchanges, dealers, brokers or providers of consensus pricing, yield curves, credit spreads, default rates, recovery rates, volatility of underlying interest rates, equity prices and foreign currency exchange rates. These inputs are determined with reference to quoted prices, recently executed trades, independent market quotes, where available.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties; to the extent that the Group believes that a third party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group entity and the counterparty where appropriate. For measuring derivatives, fair values taken into account both credit valuation adjustments and debit valuation adjustments.

Çalık Holding Anonim Şirketi and its Subsidiaries
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As at and for the Year Ended 31 December 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

34 Group enterprises

The consolidated financial statements aggregate financial information from the following entities:

Subsidiaries

Company name	Direct controlling interest of Çalık Holding and its subsidiaries		Effective ownership interest of Çalık Holding and its Subsidiaries	
	2014	2013	2014	2013
Adacami Enerji ⁽¹⁾	99,90	99,90	99,80	99,80
Akçay Enerji	99,89	99,89	99,89	99,89
Aktif Doğalgaz ⁽¹⁾	97,50	97,50	97,40	97,40
Aktifbank	99,86	99,86	99,86	99,86
Albtelecom ⁽⁵⁾	76,00	76,00	60,80	60,80
Ant Enerji ⁽¹⁾	50,00	50,00	49,95	49,95
Asset Aktif Sortif ve Sanatsal Etkinlik Hizmetleri Tic. A.Ş. ⁽⁶⁾	100,00	100,00	99,86	99,86
Atayurt İnşaat ⁽¹⁾	99,75	99,75	99,65	99,64
Atlas Petrol ⁽¹⁾	100,00	100,00	99,90	99,89
Ayas Rafineri	99,89	99,89	99,89	99,89
Başak Yönetim	100,00	100,00	100,00	100,00
BKT ⁽⁹⁾	100,00	100,00	100,00	100,00
Çalık Alexandria ⁽³⁾	100,00	100,00	98,88	98,88
Çalık Elektrik ⁽¹⁾	100,00	100,00	99,90	99,90
Çalık Enerji	99,90	99,90	99,90	99,89
Çalık Enerji Dubai ⁽¹⁾	100,00	100,00	99,90	99,90
Çalık Finansal Hizmetler	100,00	100,00	100,00	100,00
Çalık Gayrimenkul ⁽²⁾	99,00	99,00	98,33	98,33
Çalık Hava	100,00	100,00	100,00	100,00
Çalık İnşaat ⁽²⁾	99,75	99,75	99,04	99,04
Çalık Korea ⁽³⁾	100,00	100,00	98,97	98,97
Çalık NTF ⁽¹⁾	100,00	100,00	99,90	99,90
Çalık Pamuk ⁽³⁾	55,00	55,00	54,43	54,43
Çalık Petrol ⁽¹⁾	100,00	100,00	99,90	99,89
Çalık Rüzgar ⁽¹⁾	95,00	95,00	94,90	94,90
Çalık Solar Enerji ⁽¹⁾	100,00	100,00	99,90	99,90
Çalık Turizm	97,46	97,46	97,27	97,27
Çalık USA ⁽³⁾	100,00	100,00	98,97	98,97
ÇED ⁽¹⁾	100,00	100,00	99,95	99,95
ÇEDAŞ ⁽¹⁾	99,95	99,95	99,90	99,90
ÇEP Petrol ⁽¹⁾	99,75	99,50	99,65	99,39
Cetel Çalık ⁽⁷⁾	100,00	100,00	100,00	100,00
Cetel Telekom ⁽⁶⁾	80,00	80,00	80,00	80,00
Doğu Akdeniz Petrokimya	84,40	84,20	84,31	84,11
Dore Altın	99,99	99,99	99,28	99,28
E-Kent ⁽⁸⁾	100,00	100,00	99,86	99,86
E-Post ⁽⁸⁾	100,00	100,00	99,86	99,86
Emlak Girişim ⁽⁸⁾	100,00	100,00	99,86	99,86
Gap İnşaat Dubai ⁽²⁾	100,00	100,00	99,28	99,28
Gap Elektrik	99,96	99,96	99,85	99,85
Gap Güneydoğu	99,18	99,18	98,97	98,97
Gap Güneydoğu FZE ⁽³⁾	100,00	100,00	98,97	98,97
Gap İnşaat	99,32	99,32	99,28	99,28

Çalık Holding Anonim Şirketi and its Subsidiaries
Notes to Consolidated Financial Statements
As at and for the Year Ended 31 December 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

34 Group enterprises (continued)

Subsidiaries (continued)

Company name	Direct controlling interest of Çalık Holding and its subsidiaries		Effective ownership interest of Çalık Holding and its Subsidiaries	
	2014	2013	2014	2013
Gap İnşaat Cons. ⁽²⁾	100,00	100,00	99,41	99,41
Gap Pazarlama	95,01	95,01	95,01	95,01
Gap Pazarlama FZE ⁽⁴⁾	100,00	100,00	95,01	95,01
Gap İnşaat Ukraine ⁽²⁾	99,00	99,00	98,29	98,29
GapYapı	99,75	99,75	99,75	99,75
Gappa ⁽⁴⁾	100,00	100,00	95,01	95,01
Çalık Construction AB ⁽²⁾	100,00	100,00	99,28	99,28
İkideniz Petrol ⁽¹⁾	99,99	99,99	99,89	99,85
Irmak Yönetim	100,00	100,00	100,00	100,00
Japan International ⁽¹⁾	25,00	25,00	24,97	24,97
Kentsel Dönüşüm ⁽²⁾	99,75	99,75	99,04	99,04
Kızılırmak ⁽¹⁾	99,40	99,40	99,30	99,30
Lidya Maden	99,29	99,29	99,29	99,29
Momentum Enerji ⁽¹⁾	100,00	100,00	99,90	99,89
N Kolay Mağazacılık A.Ş. ⁽⁸⁾	100,00	100,00	99,86	99,86
Ortur Elektrik ⁽¹⁾	90,00	90,00	89,91	89,91
Pavo ⁽⁸⁾	80,00	80,00	79,89	79,89
Petrotrans Enerji	99,92	99,92	99,92	99,92
Sembol Enerji ⁽¹⁾	100,00	100,00	99,90	99,90
Sigortayeri ⁽⁸⁾	100,00	100,00	99,86	99,86
Telemed	100,00	100,00	100,00	100,00
Tura	99,99	99,99	99,28	99,28
Türkmen Elektrik ⁽¹⁾	97,00	97,00	96,90	96,90
Vadi Elektrik ⁽¹⁾	99,00	99,00	98,90	98,90
YEDAŞ ⁽¹⁾	100,00	100,00	99,90	99,90
Yenikom ⁽¹⁾	99,99	99,99	99,94	99,94
YEPAŞ ⁽¹⁾	100,00	100,00	99,90	99,89

¹ First consolidated under Çalık Enerji, then consolidated under the Group

² First consolidated under Gap İnşaat, then consolidated under the Group

³ First consolidated under Gap Güneydoğu Tekstil, then consolidated under the Group

⁴ First consolidated under Gap Pazarlama, then consolidated under the Group

⁵ First consolidated under Cetel Telekom, then consolidated under Cetel Çalık, then consolidated under Telemed, then consolidated under the Group

⁶ First consolidated under Cetel Çalık, then consolidated under Telemed, then consolidated under the Group

⁷ First consolidated under Telemed, then consolidated under the Group

⁸ First consolidated under Aktifbank, then consolidated under the Group

⁹ First consolidated under Çalık Finansal Hizmetler, then consolidated under the Group

All media segment entities have been excluded from the table above since they have been sold in 2014.

Çalık Holding Anonim Şirketi and its Subsidiaries

Notes to Consolidated Financial Statements

As at and for the Year Ended 31 December 2014

(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

34 Group enterprises (continued)

Joint ventures

The table below sets out the joint ventures and their shareholding structure at 31 December:

	<i>Direct controlling interest of Çalık Holding and its subsidiaries</i>		<i>Effective ownership interest of Çalık Holding and its Subsidiaries</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
Çalık Limak Adi Ortaklığı	50,00	50,00	49,92	49,92
Doğu Aras	50,00	50,00	48,97	48,97
KÇLE	50,00	50,00	37,17	37,17
Kartaltepe	50,00	50,00	49,65	49,65
Polimetal	80,00	80,00	79,43	79,43
Tunçpınar	50,00	50,00	49,65	49,65
LC Electricity	50,00	50,00	50,00	50,00
Atagas Doğalgaz	50,00	50,00	50,00	50,00

Joint operation

The table below sets out the joint operation and their shareholding structure at 31 December:

	<i>Direct controlling interest of Çalık Holding and its subsidiaries</i>		<i>Effective ownership interest of Çalık Holding and its Subsidiaries</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
Varyap-Gap Ortak Girişimi	33,14	33,14	33,14	33,14

Çalık Holding Anonim Şirketi and its Subsidiaries
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As at and for the Year Ended 31 December 2014
(Amounts expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

34 Group enterprises (continued)

Associates

The table below sets out the associates and their shareholding structure at 31 December:

	<i>Direct controlling interest of Çalık Holding and its subsidiaries</i>		<i>Effective ownership interest of Çalık Holding and its Subsidiaries</i>	
	<i>2014</i>	<i>2013</i>	<i>2014</i>	<i>2013</i>
Albania Leasing	29,99	29,99	26,25	26,25
Balkan Dokuma	31,00	31,00	31,00	31,00
IFM	5,00	5,00	4,99	4,99
Kazakhstan Ijara Company KIC Leasing	14,31	14,31	14,31	14,31
Serdar Pamuk	10,00	10,00	10,00	10,00
TAPCO	49,87	49,87	49,87	49,87
TJK	40,20	40,20	49,96	49,96
TTK	32,00	32,00	32,00	32,00
VKŞ	100,00	100,00	100,00	100,00

35 Subsequent events

None.

Çalık Holding Anonim Şirketi and its Subsidiaries

Supplementary Information

Convenience Translation to USD

31 December 2014

The USD amounts shown in the consolidated statement of financial position and consolidated statement of profit or loss and other comprehensive income on the following pages have been included solely for the convenience of the reader. For the current period's consolidated financial statements, USD amounts are translated from TL consolidated financial statements using the official TL exchange rate of 2,3189 TL/USD prevailing on 31 December 2014 and TL consolidated statement of profit or loss and other comprehensive income using TL average exchange rate of 2,1863 TL/USD prevailing on for the year ended 31 December 2014. For the prior year's financial statements, USD amounts are translated from TL financial statements using the official TL exchange rate of 2,1343 TL/USD prevailing on 31 December 2013 and TL consolidated statement of profit or loss and other comprehensive income using TL average exchange rate of 1,9033 TL/USD prevailing on for the year ended 31 December 2013.

Such translation should not be construed as a representation that the TL amounts have been converted into USD pursuant to the requirements of IFRSs or Generally Accepted Accounting Principles in the United States of America or in any other country.

Çalık Holding Anonim Şirketi and its Subsidiaries

As at 31 December 2014

Consolidated Statement of Financial Position

(Amounts expressed in thousands of USD unless otherwise stated.)

	31 December 2014	31 December 2013
Current assets		
Cash and cash equivalents	355.641	356.818
Financial investments	1.075.444	841.320
Trade receivables	962.090	807.807
<i>Due from related parties</i>	437	73.690
<i>Due from third parties</i>	961.653	734.117
Receivables related to finance sector operations	710.259	666.955
<i>Due from third parties</i>	710.259	666.955
Other receivables	186.070	153.884
<i>Due from related parties</i>	25.941	14.304
<i>Due from third parties</i>	160.129	139.580
Inventories	447.615	439.583
Derivatives	441	1.163
Prepayments	108.079	201.577
Current tax assets	7.579	9.413
Other current assets	498.422	432.807
Subtotal	4.351.640	3.911.327
Assets held for sale	73.773	1.025.178
Total current assets	4.425.413	4.936.505
Non- current assets		
Trade receivables	142.375	187.601
<i>Due from third parties</i>	142.375	187.601
Receivables related to finance sector operations	1.167.611	1.116.124
<i>Due from related parties</i>	1.752	--
<i>Due from third parties</i>	1.165.859	1.116.124
Other receivables	7.478	8.028
<i>Due from third parties</i>	7.478	8.028
Financial investments	685.472	776.464
Investments in equity-accounted investees	69.189	31.544
Investment property	154.361	142.085
Property, plant and equipment	515.663	531.098
Intangible assets	245.000	254.346
<i>Goodwill</i>	1.637	1.779
<i>Other intangible assets</i>	243.363	252.567
Prepayments	31.375	1.383
Deferred tax assets	53.511	69.396
Other non-current assets	126	6
Total non-current assets	3.072.161	3.118.075
Total assets	7.497.574	8.054.580

Çalık Holding Anonim Şirketi and its Subsidiaries

As at 31 December 2014

Consolidated Statement of Financial Position (*continued*)

(Amounts expressed in thousands of USD unless otherwise stated.)

	31 December 2014	31 December 2013
Short term liabilities		
Short term loans and borrowings	2.113.603	1.452.918
Short term portion of long term loans and borrowings	84.829	292.541
Derivatives	1.082	15.571
Trade payables	381.983	358.480
<i>Due to related parties</i>	7.989	259
<i>Due to third parties</i>	373.994	358.221
Payables related to finance sector operations	2.480.538	2.704.279
<i>Due to related parties</i>	4.122	--
<i>Due to third parties</i>	2.476.416	2.704.279
Payables related to employee benefits	5.558	4.280
Other payables	104.591	156.959
<i>Due to related parties</i>	18.701	41.300
<i>Due to third parties</i>	85.890	115.659
Deferred revenue	483.496	914.151
Current tax liabilities	4.723	5.443
Short term provisions	25.690	30.967
<i>Short term employee benefits</i>	13.856	14.268
<i>Other short term provisions</i>	11.834	16.699
Other short term liabilities	97.642	60.052
Liabilities from equity accounted investees	16.594	7.552
Subtotal	5.800.329	6.003.193
Liabilities held for sale	3.249	861.967
Total short term liabilities	5.803.578	6.865.160
Long term liabilities		
Long term loans and borrowings	471.621	438.342
Trade payables	33.709	72.707
<i>Due to third parties</i>	33.709	72.707
Payables related to finance sector operations	210.513	158.887
<i>Due to third parties</i>	210.513	158.887
Other payables	50.767	44.897
<i>Due to related parties</i>	403	--
<i>Due to third parties</i>	50.364	44.897
Deferred revenue	280.772	149.140
Long term provisions	13.386	12.947
<i>Long term employee benefits</i>	13.286	12.534
<i>Other long term provisions</i>	100	413
Deferred tax liabilities	65.804	53.849
Other long term liabilities	3.115	78
Total long term liabilities	1.129.687	930.847
Total liabilities	6.933.265	7.796.007

Çalık Holding Anonim Şirketi and its Subsidiaries

As at 31 December 2014

Consolidated Statement of Financial Position (*continued*)

(Amounts expressed in thousands of USD unless otherwise stated.)

	31 December 2014	31 December 2013
Equity		
Equity attributable to the owners of the Company		
Share capital	200.302	127.509
Adjustment to share capital	3.388	3.388
Other comprehensive income that is or may be reclassified to profit or loss	(74.600)	(6.618)
Restricted reserves	145.825	98.600
Retained earnings	(142.370)	347.194
Profit/(loss) for the year	369.883	(408.184)
Total equity attributable to the owners of the Company	502.428	161.889
Total non-controlling interests	61.881	96.684
Total equity	564.309	258.573
Total equity and liabilities	7.497.574	8.054.580

Appendix I

Çalık Holding Anonim Şirketi and its Subsidiaries Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Year Ended 31 December 2014

(Amounts expressed in thousands of USD unless otherwise stated.)

Continuing operations	2014	2013
Revenue	2.455.786	1.696.544
Cost of sales	(1.945.196)	(1.404.821)
Gross profit from non-finance sector operations	510.590	291.723
Revenue from finance sector operations	291.563	338.198
Cost of revenues from finance sector operations	(121.683)	(140.327)
Gross profit from finance sector operations	169.880	197.871
Gross profit	680.470	489.594
Other income	221.572	86.876
General and administrative expenses	(269.610)	(231.908)
Selling, marketing and distribution expenses	(127.251)	(110.614)
Research and development expenses	(16.324)	(10.683)
Share of loss of equity accounted investees, net of taxes	(18.774)	(441)
Other expenses	(67.344)	(201.965)
Operating profit	402.739	20.859
Gain from investing activities	28.962	32.739
Loss from investing activities	(20.627)	(56.351)
Operating profit/(loss) before finance costs	411.074	(2.753)
Finance income	18.302	27.407
Finance costs	(227.129)	(265.412)
Net finance costs	(208.827)	(238.005)
Profit/(loss) before tax from continuing operations	202.247	(240.758)
Current tax expense	(28.734)	(31.082)
Deferred tax benefit/(expense)	(28.851)	11.413
Total tax expense	(57.585)	(19.669)
Profit/(loss) from continuing operations	144.662	(260.427)
Profit/(loss) from discontinued operations	215.950	(209.252)
Profit/(loss) for the year	360.612	(469.679)

Çalık Holding Anonim Şirketi and its Subsidiaries
Consolidated Statement of Profit or Loss and
Other Comprehensive Income (continued)
For the Year Ended 31 December 2014

(Amounts expressed in thousands of USD unless otherwise stated.)

	2014	2013
Profit/(loss) for the year	360.612	(469.679)
Items that are or may be reclassified to profit or loss		
Foreign currency translation differences for foreign operations and reporting currency translation differences	(44.899)	42.993
Change in fair value of available-for-sale financial assets	9.469	(24.332)
Deferred tax benefit/(expense)	(1.894)	3.756
Total other comprehensive (loss)/income	(37.324)	22.417
Total comprehensive income/(loss)	323.288	(447.262)
Net profit/(loss) attributable to:		
Owners of the Company	369.883	(408.184)
Non-controlling interests	(9.271)	(61.495)
Net profit / (loss) for the year	360.612	(469.679)
Total comprehensive income/(loss) attributable to:		
Owners of the Company	332.959	(384.890)
Non-controlling interests	(9.671)	(62.372)
Total other comprehensive income/(loss)	323.288	(447.262)