

# **Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi**

**Financial statements as of December 31, 2014  
together with report of independent auditors**

## Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

### Table of contents

	<u>Page</u>
Report of independent auditors	1
Statement of financial position	2
Income statement	3
Statement of changes in equity	4
Cash flow statement	5
Notes to the financial statements	6 - 39

## Report of independent auditors

To the Shareholders of  
Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi:

### *Introduction*

We have audited the accompanying financial statements of Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi (the Company), which comprise the statement of financial position as at December 31, 2014, and the comprehensive income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's responsibility for the financial statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

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

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

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

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi  
A member firm of Ernst & Young Global Limited



Erdem Tecer, SMMM  
Engagement Partner

May 4, 2015  
İstanbul, Turkey

**Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi**

**Statement of financial position  
as of December 31, 2014  
(Currency – TL)**

<b>Assets</b>	<b>Notes</b>	<b>December 31, 2014</b>	<b>December 31, 2013</b>
<b>Current assets</b>			
Cash and cash equivalents	3	296,673	566,178
Trade and other receivables	4	78,997,505	70,985,537
Inventories	5	28,491,696	22,121,025
Prepayments and other current assets	6	10,415,051	9,629,262
<b>Total current assets</b>		<b>118,200,925</b>	<b>103,302,002</b>
<b>Non-current assets</b>			
Property, plant and equipment, net	7	186,914,602	181,319,920
Intangible assets, net	8	393,554	477,373
Deferred tax asset	19	1,852,028	2,687,466
Non-current assets	9	3,797,134	3,680,451
<b>Total non-current assets</b>		<b>192,957,318</b>	<b>188,165,210</b>
<b>Total assets</b>		<b>311,158,243</b>	<b>291,467,212</b>
<b>Liabilities and equity</b>			
<b>Current liabilities</b>			
Short term borrowings	13	64,133,351	68,420,887
Current portion of long term borrowings	13	8,775,508	35,627,033
Trade and other payables	10	32,708,567	27,534,439
Other current liabilities and accrued expenses	11	7,925,857	7,141,362
Current tax liability	19	896,541	-
<b>Total current liabilities</b>		<b>114,439,824</b>	<b>138,723,721</b>
<b>Non-current liabilities</b>			
Long-term borrowings	13	83,573,267	67,290,825
Employee termination benefits	12	731,836	822,239
<b>Total non current liabilities</b>		<b>84,305,103</b>	<b>68,113,064</b>
<b>Equity</b>			
Share capital	14	76,000,000	76,000,000
Actuarial loss		(439,777)	(461,428)
Retained earnings		36,853,093	9,091,855
<b>Total equity</b>		<b>112,413,316</b>	<b>84,630,427</b>
<b>Total liabilities and equity</b>		<b>311,158,243</b>	<b>291,467,212</b>

The accompanying policies and explanatory notes on pages 6 through 39 form an integral part of the financial statements.

## Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

### Comprehensive income statement for the year ended December 31, 2014 (Currency – TL)

	Notes	January 1, 2014 to December 31, 2014	January 1, 2013 to December 31, 2013
Sales	18	244,313,848	230,227,168
Cost of sales	18	(177,239,781)	(178,246,517)
<b>Gross profit</b>		<b>67,074,067</b>	<b>51,980,651</b>
Selling and marketing expenses	18	(3,268,972)	(2,726,254)
Administrative expenses	18	(7,429,825)	(8,237,456)
Other operating income	18	3,080,639	436,731
Other operating expense	18	(4,624,719)	(1,785,615)
<b>Profit from operations</b>		<b>54,831,190</b>	<b>39,668,057</b>
Financial expense, net	18	(19,982,117)	(39,991,347)
<b>Profit/(loss) before tax</b>		<b>34,849,073</b>	<b>(323,290)</b>
Income tax	19	(7,087,835)	(75,442)
<b>Net profit/(loss) for the year</b>		<b>27,761,238</b>	<b>(398,732)</b>
Other comprehensive income/(loss)		21,651	(191,995)
<b>Total comprehensive income/(loss) for the year, net off tax</b>		<b>27,782,889</b>	<b>(590,727)</b>

The accompanying policies and explanatory notes on pages 6 through 39 form an integral part of the financial statements.

**Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi**

**Statement of changes in equity  
for the year ended December 31, 2014  
(Currency – TL)**

	Share capital	Actuarial loss	Retained earnings	Total
At December 31, 2012	76,000,000	(269,433)	9,490,587	85,221,154
Other comprehensive income	-	(191,995)	(398,732)	(590,727)
At December 31, 2013	76,000,000	(461,428)	9,091,855	84,630,427
Other comprehensive income	-	21,651	27,761,238	27,782,889
At December 31, 2014	76,000,000	(439,777)	36,853,093	112,413,316

The accompanying policies and explanatory notes on pages 6 through 39 form an integral part of the financial statements.

# Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

## Statement cash flows for the year ended December 31, 2014 (Currency – TL)

	Notes	January 1, 2014 to December 31, 2014	January 1, 2013 to December 31, 2013
<b>Cash flows from operating activities</b>			
Profit before income tax		34,849,073	(323,290)
<b>Adjustments for:</b>			
Depreciation and amortization	7, 8	8,969,508	8,587,666
Provision for doubtful receivables	4	4,000,000	1,000,000
Provision for employee termination benefits		144,165	127,676
Gain on sale of property, plant and equipment		(2,611,139)	(71,117)
Unrealized foreign exchange losses		(1,599,600)	23,809,188
Interest expense	18	21,581,718	13,657,045
<b>Operating profit before changes in operating assets and liabilities</b>		<b>65,333,725</b>	<b>46,787,168</b>
<b>Working capital changes in:</b>			
Trade and other receivables		(12,011,969)	(3,090,146)
Inventories		(6,370,670)	(4,140,059)
Prepayment and other current assets		(785,790)	(6,019,134)
Non-current assets		(116,683)	(38,760)
Trade and other payables		5,174,128	1,574,595
Taxes paid		-	(780,699)
Other current liabilities and accrued expenses		784,495	(1,655,940)
Employee termination benefits paid		(207,505)	(184,458)
<b>Net cash provided by operating activities</b>		<b>51,799,731</b>	<b>32,452,567</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and intangible assets	7, 8	(15,340,622)	(6,303,853)
Proceeds from property, plant and equipment disposals		3,909,886	279,342
<b>Net cash used in investing activities</b>		<b>(11,430,736)</b>	<b>(6,024,511)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		388,354,912	128,876,541
Repayment of borrowings		(409,062,249)	(142,657,788)
Interest paid		(19,931,163)	(12,223,890)
<b>Net cash used in financing activities</b>		<b>(40,638,500)</b>	<b>(26,005,137)</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(269,505)</b>	<b>422,919</b>
<b>Cash and cash equivalents at beginning of the period</b>		<b>566,178</b>	<b>143,259</b>
<b>Cash and cash equivalents at end of the period</b>		<b>296,673</b>	<b>566,178</b>

The accompanying policies and explanatory notes on pages 6 through 39 form an integral part of the financial statements.

# **Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi**

## **Notes to the financial statements**

**December 31, 2014**

(Currency – In TL)

### **1. Corporate Information**

#### **General**

Adoçim Çimento Beton Sanayi ve Ticaret A.Ş. (a Turkish corporation - the Company) was established in 2005 and the registered office address of the Company is Dereboyu Caddesi Meydan Sok. Beybi Giz Plaza İstanbul/Turkey.

The Company is a joint venture of Salentijn Properties (ultimate parent of which is Titan Cement Company S.A.) and Turkish resident real persons (mainly members of Sak Family (See Note 14).

The financial statements of the Company are authorized for issue by the management on May 4, 2015. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issuance.

#### **Nature of activities of the Company**

The Company is engaged in the production of clinker and cement for domestic and foreign construction markets. The Company has 3 production facilities located in Antalya, Artova-Tokat and Sultanköy-Tekirdağ.

### **2.1 Basis of preparation**

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS). The financial statements have been prepared under the historical cost convention.

The Company maintains its books of account and prepares its statutory financial statements ("statutory financial statements") in Turkish Lira (TL) in accordance with the Turkish Commercial Code and Tax Legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. The financial statements have been prepared from the statutory financial statements of the Company and presented in accordance with IFRS with certain adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

### **2.2 Functional currency and reporting currency**

The functional and presentation currency of the Company is TL.

### **2.3 Changes in accounting policies**

#### **The new standards, amendments and interpretations**

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



**2.3 Changes in accounting policies (continued)**

- i) **The new standards, amendments and interpretations which are effective as at 1 January 2014 are as follows:**

**TAS 32 Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities (Amended)**

The amendments clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the TAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. These amendments did not have an impact on the financial statements of the Company.

**TFRS Interpretation 21 Levies**

The interpretation clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be recognized before the specified minimum threshold is reached. The interpretation is not applicable for the Company and did not have any impact on the financial position or performance of the Company.

**TAS 36 Impairment of Assets (Amended) - Recoverable Amount Disclosures for Non-Financial assets**

As a consequential amendment to TFRS 13 Fair Value Measurement, some of the disclosure requirements in TAS 36 Impairment of Assets regarding measurement of the recoverable amount of impaired assets has been modified. The amendments required additional disclosures about the measurement of impaired assets (or a group of assets) with a recoverable amount based on fair value less costs of disposal. These amendments did not have an impact on the financial statements of the Company.

**TAS 39 Financial Instruments: Recognition and Measurement (Amended)- Novation of Derivatives and Continuation of Hedge Accounting**

Amendments provides a narrow exception to the requirement for the discontinuation of hedge accounting in circumstances when a hedging instrument is required to be novated to a central counterparty as a result of laws or regulations. These amendments did not have an impact on the financial statements of the Company.

**TFRS 10 Consolidated Financial Statements (Amendment)**

TFRS 10 is amended to provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with TFRS. This amendment does not have any impact on the financial position or performance of the Company.

- ii) **Standards issued but not yet effective and not early adopted**

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting the financial statements and disclosures, when the new standards and interpretations become effective.

## **Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi**

### **Notes to the financial statements (continued)**

**December 31, 2014**

(Currency – In TL)

#### **2.3 Changes in accounting policies (continued)**

##### **TFRS 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 TFRS introduces new requirements for classifying and measuring financial instruments. The amendments made to TFRS 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. The Company will quantify the effect in conjunction with the other phases, when the final standard including all phases is adopted by POA.

##### **TAS 19 Defined Benefit Plans: Employee Contributions (Amendment)**

TAS 19 requires an entity to consider contributions from employees or third parties when accounting for defined benefit plans. The amendments clarify that, if the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to the periods of service. These amendments are to be retrospectively applied for annual periods beginning on or after 1 July 2014. The amendments will not have an impact on the financial position or performance of the Company.

##### **TFRS 11 Acquisition of an Interest in a Joint Operation (Amendment)**

TFRS 11 is amended to provide guidance on the accounting for acquisitions of interests in joint operations in which the activity constitutes a business. This amendment requires the acquirer of an interest in a joint operation in which the activity constitutes a business, as defined in TFRS 3 Business Combinations, to apply all of the principles on business combinations accounting in TFRS 3 and other TFRSs except for those principles that conflict with the guidance in this TFRS. In addition, the acquirer shall disclose the information required by TFRS 3 and other TFRSs for business combinations. These amendments are to be applied prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

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

The amendments to TAS 16 and TAS 38, have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortisation for intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendments will not have an impact on the financial position or performance of the Company.

##### **IAS 16 Property, Plant and Equipment and TAS 41 Agriculture (Amendment) – Bearer Plants**

TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the cost model or revaluation model should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. Entities are required to apply the amendments for annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

### **2.3 Changes in accounting policies (continued)**

#### **Annual Improvements to TAS/TFRSs**

In September 2014, Public Oversight Authority (POA) has issued the below amendments to the standards in relation to "Annual Improvements - 2010–2012 Cycle" and "Annual Improvements - 2011–2013 Cycle. The changes are effective for annual reporting periods beginning on or after 1 July 2014.

#### ***Annual Improvements - 2010–2012 Cycle***

##### *TFRS 2 Share-based Payment:*

Definitions relating to vesting conditions have changed and performance condition and service condition are defined in order to clarify various issues. The amendment is effective prospectively.

##### *TFRS 3 Business Combinations*

Contingent consideration in a business acquisition that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of TFRS 9 Financial Instruments. The amendment is effective for business combinations prospectively.

##### *TFRS 8 Operating Segments*

The changes are as follows: i) Operating segments may be combined/aggregated if they are consistent with the core principle of the standard. ii) The reconciliation of segment assets to total assets is only required to be disclosed if the reconciliation is reported to the chief operating decision maker. The amendments are effective retrospectively.

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

The amendment to TAS 16.35(a) and TAS 38.80(a) clarifies that revaluation can be performed, as follows:

i) Adjust the gross carrying amount of the asset to market value or ii) determine the market value of the carrying amount and adjust the gross carrying amount proportionately so that the resulting carrying amount equals the market value. The amendment is effective retrospectively.

##### *TAS 24 Related Party Disclosures*

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

#### ***Annual Improvements – 2011–2013 Cycle***

##### *TFRS 3 Business Combinations*

The amendment clarifies that: i) Joint arrangements are outside the scope of TFRS 3, not just joint ventures ii) The scope exception applies only to the accounting in the financial statements of the joint arrangement itself. The amendment is effective prospectively.

##### *Amendment to the Basis for Conclusions on TFRS 13 Fair Value Measurement*

The portfolio exception in TFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective prospectively.

### **2.3 Changes in accounting policies (continued)**

#### *TAS 40 Investment Property*

The amendment clarifies the interrelationship of TFRS 3 and TAS 40 when classifying property as investment property or owner-occupied property. The amendment is effective prospectively.

The Company do not expect that these amendments will have significant impact on the financial position or performance of the Company.

#### **The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA)**

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Company will make the necessary changes to its financial statements after the new standards and interpretations are issued and become effective under TFRS.

#### ***Annual Improvements – 2010–2012 Cycle***

##### *IFRS 13 Fair Value Measurement*

As clarified in the Basis for Conclusions short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately.

#### ***Annual Improvements – 2011–2013 Cycle***

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

In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity's ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 is effective for reporting periods beginning on or after 1 January 2017, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

### **2.3 Changes in accounting policies (continued)**

#### **IFRS 9 Financial Instruments - Final standard (2014)**

In July 2014 the IASB published the final version of IFRS 9 Financial Instruments. The final version of IFRS 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace IAS 39 Financial Instruments: Recognition and Measurement. IFRS 9 is built on a logical, single classification and measurement approach for financial assets that reflects the business model in which they are managed and their cash flow characteristics. Built upon this is a forward-looking expected credit loss model that will result in more timely recognition of loan losses and is a single model that is applicable to all financial instruments subject to impairment accounting. In addition, IFRS 9 addresses the so-called 'own credit' issue, whereby banks and others book gains through profit or loss as a result of the value of their own debt falling due to a decrease in credit worthiness when they have elected to measure that debt at fair value. The Standard also includes an improved hedge accounting model to better link the economics of risk management with its accounting treatment. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. In addition, the own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The Company is in the process of assessing the impact of the standard on financial position or performance of the Company.

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

In August 2014, IASB issued an amendment to IAS 27 to restore the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either:

- At cost
- In accordance with IFRS 9 (or IAS 39),
- Or
- Using the equity method

The entity must apply the same accounting for each category of investments. The amendment is effective for annual periods beginning on or after 1 January 2016. The amendments must be applied retrospectively. Early application is permitted and must be disclosed. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

#### **Annual Improvements to IFRSs - 2012-2014 Cycle**

In September 2014, IASB issued their annual cycle of improvements to IFRSs, Annual Improvements to IFRSs 2012-2014 Cycle. The document sets out five amendments to four standards, excluding those standards that are consequentially amended, and the related Basis for Conclusions. The standards affected and the subjects of the amendments are:

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

The amendments are effective for annual periods beginning on or after 1 January 2016, with earlier application permitted. . The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

### **2.3 Changes in accounting policies (continued)**

#### **IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)**

In September 2014, IASB issued amendments to IFRS 10 and IAS 28, to address the acknowledged inconsistency between the requirements in IFRS 10 and IAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in IFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognised only to the extent of unrelated investors' interests in that former subsidiary. An entity shall apply those amendments prospectively to transactions occurring in annual periods beginning on or after 1 January 2016. Earlier application is permitted. The amendment is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

#### **IAS 1: Disclosure Initiative (Amendments to IAS 1)**

In December 2014, IASB issued amendments to IAS 1. Those amendments include narrow-focus improvements in the following five areas: Materiality, Disaggregation and subtotals, Notes structure, Disclosure of accounting policies, Presentation of items of other comprehensive income (OCI) arising from equity accounted investments. The amendments are applicable for annual periods beginning on or after 1 January 2016. Earlier application is permitted. These amendments are not expected have significant impact on the notes to the financial statements of the Company.

### **2.4 Summary of significant accounting policies**

#### **Inventories**

Inventories are valued at the lower of cost and net realizable value. Cost is determined by using monthly weighted average method.

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

#### **Property and equipment**

Property, plant and equipment (PPE) are stated at cost less accumulated depreciation and any impairment in value. Land is not depreciated.

The initial cost of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Costs include the cost of replacing part of the property, plant and equipment when that cost is incurred, if the recognition criteria are met. Like wise, when a major inspection is performed, its cost is recognized in the carrying amount of the property, plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight line basis over the estimated useful life of the assets as follows:

Buildings and improvements	10-50 years
Machinery and equipment	4-40 years
Motor vehicles	4-7 years
Furniture and fixtures	5-20 years

#### **2.4 Summary of significant accounting policies (continued)**

The residual values, useful lives and depreciation method are reviewed periodically to ensure that the method and period of depreciation are consistent with the expected pattern at economic benefits from items of PPE.

All costs incurred for the construction of property, plant and equipment are capitalized and are not depreciated until the asset is ready for use.

An item of PPE is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on the derecognition of the asset is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognized in the consolidated income statements in the year the asset is derecognized.

#### **Intangible assets**

Intangible assets which mainly comprise software rights and trademarks are measured initially at cost. Intangible assets are recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise; and the cost of the asset can be measured reliably. After initial recognition, intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets are amortized on a straight line basis over their estimated useful lives which are 3 to 15 years. The amortization period and the amortization method for an intangible asset are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the income statement in the expense category consistent with the function of the intangible asset.

The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

#### **Impairment of assets**

At each balance sheet date, the Company assesses whether there is any indication that book value of property and equipment and intangible assets, calculated by acquisition cost less accumulative amortization, is impaired. When an indication of impairment exists, the Company estimates the recoverable amount of such assets. When individual recoverable value of assets can not be measured, recoverable value of cash generating unit of that asset is measured.

Recoverable amount is the higher of value in use or fair value less costs to sell. Value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit by using discount rates before taxes that reflects risks related with that asset. The main estimates that are used during these analysis comprise expected inflation rates, expected increase in sales and cost of sales, expected changes in export-domestic market composition and expected growth rate of the country.

When recoverable amount of an asset (or a cash generating unit) is lower than its carrying value, the asset's carrying value is reduced to its recoverable amount. An impairment loss is recognized immediately in comprehensive statement of income.

#### **2.4 Summary of significant accounting policies (continued)**

Subsequent increase in the asset's (or cash generating unit) recoverable amount due to cancellation of previously impairment loss recognized cannot be higher than the previously carrying value (net of depreciation) in case had the impairment loss was not recognized. Reversal of impairment is recognized as income in the financial statements.

##### **Borrowing costs**

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

All other borrowing costs are recognized in the statement of comprehensive income in the period in which they are incurred.

##### **Taxation and deferred income taxes**

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

###### *Current tax*

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

###### *Deferred tax*

Deferred tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and unused tax losses can be utilized. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.



## **2.4 Summary of significant accounting policies (continued)**

### **Employee benefits**

#### **a) Defined benefit plan:**

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

The Company has reflected a liability using the "Projected Unit Credit Method". The employee termination benefits are discounted to the present value of the estimated future cash outflows using the interest rate.

All actuarial gain and loss is recognized in the statement of comprehensive income at the amount that exceeds 10% of net present value of provision for employee termination benefits to be amortized in remaining years to average retirement of current employees by using corridor method in accordance with IAS 19.

In the balance sheet, employee termination benefits are reflected under non-current liabilities as a separate line.

#### **(b) Defined contribution plans:**

The Company pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

### **Financial instruments**

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is:

- cash,
- a contractual right to receive cash or another financial asset from another enterprise,
- a contractual right to exchange financial instruments from another enterprise under conditions that are potentially favorable, or,
- an equity instrument of another enterprise.

A financial liability that is a contractual obligation:

- to deliver cash or another financial asset to another enterprise, or
- to exchange financial instruments with another enterprise under conditions that are potentially unfavorable.

When a financial asset or financial liability is recognized initially, it is measured at its cost, which is the fair value of the consideration given (in the case of an asset) or received (in case of a liability) for it. Transaction costs are included (deducted for financial liabilities) in the initial measurement of all financial assets and liabilities.

## **2.4 Summary of significant accounting policies (continued)**

### *Fair value of financial instruments*

The fair value is the amount for which a financial instrument could be exchanged in a current transaction between ceiling parties, other than in a forced sale or liquidation, and this best evidenced by a quoted market price, if one exist.

### **Financial assets**

#### *Cash and cash equivalents*

For the purposes of the presentation of cash flows statement, cash and cash equivalents comprise cash on hand, cash in banks and short-term deposits with an original maturity of three months or less.

#### *Notes and trade receivable*

Notes and trade receivable are reflected net of unearned interest and allowance for credit losses. Allowance for credit losses are set up based on management estimation of probable losses that might result from uncollectible receivables and are measured at amortized cost using the effective interest rate method.

#### *Impairment on financial assets*

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in Company's that share similar credit risk characteristics. All impairment losses are recognized in the statement of comprehensive income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortised cost, the reversal is recognized in the statement of comprehensive income.

### **Financial liabilities**

Financial liabilities are recognized initially at fair value and at directly attributable transaction costs and after initial recognition; financial liabilities are subsequently measured at amortized cost by using the effective interest rate method.

Effective interest rate method is the amortized cost method and allocation of the related interest expenses to the related periods. Effective interest rate is the rate reducing the future expected cash payments to present value of the financial liability within the expected life of the asset or in a shorter period.

## **Adođim imento Beton Sanayi ve Ticaret Anonim Őirketi**

**Notes to the financial statements (continued)**  
**December 31, 2014**  
(Currency – In TL)

### **2.4 Summary of significant accounting policies (continued)**

#### *Trade payables*

Trade and other payables are carried at amortized cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the Company.

#### *Bank borrowings*

All borrowings are initially recognized at cost, being the fair value of the consideration received net of issue costs associated with the borrowing.

After initial recognition, borrowings are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognized in statement of comprehensive income when the liabilities are derecognized, as well as through the amortization process.

#### *Trade and settlement date accounting*

All "regular way" purchases and sales of financial assets are recognized on the trade date, in other words, the date the Company commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

#### *Recognition and derecognition of financial instruments*

The Company recognizes a financial asset or financial liability in its balance sheet when and only when it becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset or a portion of financial asset when and only when it loses control of the contractual rights that comprise the financial asset or a portion of financial asset and when risk and benefit related to property. The Company derecognizes a financial liability when and only when a liability is extinguished that is when the obligation specified in the contract is discharged, cancelled and expires.

#### **Provisions**

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

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

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

## **2.4 Summary of significant accounting policies (continued)**

### **Related parties**

Parties are considered related to the Company if;

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

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

### **Revenue**

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenues are stated net of discounts and value added taxes.

### *Interest income*

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

### **Offsetting**

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

## Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)  
December 31, 2014  
(Currency – In TL)

### 2.4 Summary of significant accounting policies (continued)

#### Contingent asset and liabilities

Contingent liabilities are not recognized in the financial statements, but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is not recognized in the financial statements, but disclosed when an inflow of economic benefits is probable.

#### Subsequent events

An explanation for any event between the balance sheet date and the publication date of the balance sheet, which has positive or negative effects on the Company (should any evidence come about events that were prior to the balance sheet date or should new events come about) is explained in the relevant note.

#### Share capital and dividends

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

#### Leases

##### *Operating leases*

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term.

##### *Financial leases*

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement.

Rentals payable under operating leases are charged to the income statement on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

### 2.5 Significant accounting judgments, estimates and assumptions

In the application of the Company's accounting policies, Management is required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

## Adođım imento Beton Sanayi ve Ticaret Anonim Őirketi

### Notes to the financial statements (continued)

December 31, 2014

(Currency – In TL)

#### 2.5 Significant accounting judgments, estimates and assumptions (continued)

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The key assumption concerning the future and other key sources of estimation uncertainty at the balance sheet date that has a significant risk of causing a material adjustment to the carrying amounts of liabilities within the next financial year and the significant judgments with the most significant effect on amounts recognized in the financial statements are discussed in the relevant sections below, which are mainly related with provision for employee termination benefits, assessment of economic useful lives of property, plant and equipment and intangibles, and recognition of deferred tax assets.

#### Foreign currency transactions

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

Foreign currency rates as of year-ends are as follows:

<b>Buying rates</b>	<b>TL/USD</b>	<b>TL/EURO</b>
<b>December 31, 2014</b>	<b>2.3189</b>	<b>2.8207</b>
December 31, 2013	2.1343	2.9365

#### 3. Cash and cash equivalents

	<b>December 31, 2014</b>	December 31, 2013
Cash at banks	<b>239,892</b>	534,130
Cash on hand	<b>56,781</b>	32,048
	<b>296,673</b>	566,178

As of December 31, 2014 and 2013, cash at banks consists of demand deposits.

#### 4. Trade and other receivables

	<b>December 31, 2014</b>	December 31, 2013
Checks and notes receivable	<b>43,269,535</b>	47,279,013
Trade receivables	<b>43,227,970</b>	27,206,524
Less: Allowance for doubtful receivables	<b>(7,500,000)</b>	(3,500,000)
	<b>78,997,505</b>	70,985,537

**Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements (continued)**  
**December 31, 2014**  
 (Currency – In TL)

**4. Trade and other receivables (continued)**

As at December 31, 2014 and 2013 the aging analysis of trade receivables and checks and notes receivable is as follows:

	Total	Neither past due nor impaired	Past due but not impaired					
			< 1 month	1 – 3 months	3 – 6 months	6 – 9 months	9 – 12 months	>1 year
2014	78,997,505	61,366,575	3,551,958	6,031,605	3,882,133	-	54,983	4,110,251
2013	70,985,537	50,981,424	4,487,378	3,688,313	7,431,723	152,326	-	4,244,373

As of December 31, 2014 and 2013, pledge, mortgage and letter of guarantees obtained from customers against outstanding receivables are as follows:

	December 31, 2014	December 31, 2013
Letter of guarantee	36,434,500	29,727,500
Mortgage	12,215,250	14,365,250
Pledge	5,856,736	6,607,766
<b>Total</b>	<b>54,506,486</b>	<b>50,700,516</b>

Movement of allowance for doubtful receivables is as follows:

	December 31, 2014	December 31, 2013
At January 1	3,500,000	2,500,000
Additional provision (Note 18)	4,000,000	1,000,000
At December 31	7,500,000	3,500,000

**5. Inventories**

	December 31, 2014	December 31, 2013
Raw materials	14,400,165	7,343,858
Work-in-process	2,578,001	4,107,426
Finished goods	2,720,046	1,123,933
Spare parts and supplies	7,590,774	8,596,811
Packing materials and other	1,202,710	948,997
	<b>28,491,696</b>	<b>22,121,025</b>

**Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements (continued)**  
**December 31, 2014**  
 (Currency – In TL)

**6. Prepayments and other current assets**

	December 31, 2014	December 31, 2013
Advances given to suppliers	2,359,771	5,277,012
Prepaid expenses	3,047,013	1,424,280
VAT receivable	4,981,844	2,919,637
Advances given to personnel	26,423	8,333
	<b>10,415,051</b>	<b>9,629,262</b>

**7. Property, plant and equipment**

	December 31, 2013	Additions	Transfers	Disposals	December 31, 2014
<b>Cost</b>					
Land	20,350,375	-	-	-	20,350,375
Buildings and improvements	62,008,337	1,515,055	-	(72,971)	63,450,421
Machinery and equipment	132,730,435	13,195,433	274,571	(72,388)	146,128,051
Vehicles	8,938,113	180,000	-	(4,092,171)	5,025,942
Furniture and fixtures	1,553,127	325,071	-	(7,086)	1,871,112
Construction-in-progress	687,977	-	(274,571)	-	413,406
	<b>226,268,364</b>	<b>15,215,559</b>	<b>-</b>	<b>(4,244,616)</b>	<b>237,239,307</b>
<b>Less: Accumulated depreciation</b>					
Buildings and improvements	15,406,635	2,733,057	-	-	18,139,692
Machinery and equipment	23,167,805	5,524,086	-	(72,388)	28,619,503
Vehicles	5,348,317	283,526	-	(3,305,133)	2,326,710
Furniture and fixtures	1,025,687	219,956	-	(6,843)	1,238,800
	<b>44,948,444</b>	<b>8,760,625</b>	<b>-</b>	<b>(3,384,364)</b>	<b>50,324,705</b>
<b>Net book value</b>	<b>181,319,920</b>				<b>186,914,602</b>

	December 31, 2012	Additions	Transfers	Disposals	December 31, 2013
<b>Cost</b>					
Land	20,293,256	57,119	-	-	20,350,375
Buildings and improvements	61,210,868	991,392	-	(193,923)	62,008,337
Machinery and equipment	128,111,818	4,618,617	-	-	132,730,435
Vehicles	9,051,463	31,535	-	(144,885)	8,938,113
Furniture and fixtures	1,376,005	179,403	-	(2,281)	1,553,127
Construction-in-progress	435,867	252,110	-	-	687,977
	<b>220,479,277</b>	<b>6,130,176</b>	<b>-</b>	<b>(341,089)</b>	<b>226,268,364</b>
<b>Less: Accumulated depreciation</b>					
Buildings and improvements	12,722,474	2,684,161	-	-	15,406,635
Machinery and equipment	18,447,695	4,720,110	-	-	23,167,805
Vehicles	4,662,653	817,339	-	(131,675)	5,348,317
Furniture and fixtures	824,730	202,146	-	(1,189)	1,025,687
	<b>36,657,552</b>	<b>8,423,756</b>	<b>-</b>	<b>(132,864)</b>	<b>44,948,444</b>
<b>Net book value</b>	<b>183,821,725</b>				<b>181,319,920</b>

Please see Note 20 for the mortgages given against bank loans.



Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)  
December 31, 2014  
(Currency – In TL)

8. Intangible assets

	December 31, 2013	Additions	Transfers	Disposals	December 31, 2014
<b>Cost</b>					
Software	982,755	120,348	-	-	1,103,103
Trademarks	32,150	1,250	-	-	33,400
Other intangibles	7,325	3,466	-	-	10,791
	<b>1,022,230</b>	<b>125,064</b>	-	-	<b>1,147,294</b>
<b>Less: Accumulated amortization</b>					
Software	527,173	205,031	-	-	732,204
Trademarks	12,179	2,330	-	-	14,509
Other intangibles	5,505	1,522	-	-	7,027
	<b>544,857</b>	<b>208,883</b>	-	-	<b>753,740</b>
<b>Net book value</b>	<b>477,373</b>				<b>393,554</b>

	December 31, 2012	Additions	Transfers	Disposals	December 31, 2013
<b>Cost</b>					
Software	811,228	171,527	-	-	982,755
Trademarks	30,000	2,150	-	-	32,150
Other intangibles	7,325	-	-	-	7,325
	<b>848,553</b>	<b>173,677</b>	-	-	<b>1,022,230</b>
<b>Less: Accumulated amortization</b>					
Software	366,560	160,613	-	-	527,173
Trademarks	10,000	2,179	-	-	12,179
Other intangibles	4,387	1,118	-	-	5,505
	<b>380,947</b>	<b>163,910</b>	-	-	<b>544,857</b>
<b>Net book value</b>	<b>467,606</b>				<b>477,373</b>

9. Non current receivables

	December 31, 2014	December 31, 2013
Prepaid electricity	3,297,795	3,297,795
Other	499,339	382,656
	<b>3,797,134</b>	<b>3,680,451</b>

**Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi**

Notes to the financial statements (continued)  
December 31, 2014  
(Currency – In TL)

**10. Trade and other payables**

	December 31, 2014	December 31, 2013
Trade payables	32,708,567	27,534,439
	<b>32,708,567</b>	<b>27,534,439</b>

**11. Other current liabilities and accrued expenses**

	December 31, 2014	December 31, 2013
Advances taken	3,006,145	3,280,100
Salaries and wages payable	780,838	801,170
Withholding and other taxes payable	2,890,623	1,861,328
Vacation pay liability	799,095	634,421
Social security premiums payable	234,289	203,557
Other	214,867	360,786
	<b>7,925,857</b>	<b>7,141,362</b>

**12. Employee termination benefits**

In accordance with existing social legislation, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In Turkey, such payments are calculated on the basis of 30 days' pay (limited to a maximum of TL 3,541 and TL 3,438 at December 31, 2014 and 2013, respectively) per year of employment at the rate of pay applicable at the date of retirement or termination. In the financial statements As of December 31, 2014 and 2013, the Company reflected a liability calculated using the Projected Unit Credit Method and based upon factors derived using their experience of personnel terminating their services and being eligible to receive retirement pay and discounted by using the current market yield at the balance sheet date on government bonds.

The principal actuarial assumptions used at the balance sheet dates are as follows:

	December 31, 2014	December 31, 2013
Discount rate (%)	9	9
Expected rate of salary / limit increase (%)	5	5

**Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements (continued)**  
**December 31, 2014**  
(Currency – In TL)

**12. Employee termination benefits (continued)**

The movement in provision for retirement pay liability recognized in the balance sheet is as follows is as follows:

	2014	2013
At January 1	822,239	639,027
Interest cost	74,002	57,512
Service cost	70,164	70,164
Actuarial (gain)/loss	(27,064)	239,994
Paid	(207,505)	(184,458)
<b>At December 31</b>	<b>731,836</b>	<b>822,239</b>

**13. Borrowings**

	Interest rate	Original currency	December 31, 2014		Maturity
			TL equivalent	TL	
<b>Short-term</b>					
Short-term bank borrowings	TL Libor +9.75%-14.14%	TL	48,319,712	48,319,712	2015
	Euro Libor + 4%-8.70%	EUR	5,297,994	14,944,051	2015
	6%	USD	375,000	869,588	2015
<b>Total short-term borrowings</b>				<b>64,133,351</b>	
<b>Long-term</b>					
Long-term bank borrowings	TL Libor + 14.14%	TL	36,875,000	36,875,000	2016-2018
	Euro Libor+5.75%-8.70%	EUR	19,666,669	55,473,775	2015-2018
				<b>92,348,775</b>	
Less: Current portion of long-term bank borrowings and finance lease obligations		EUR	3,111,110	8,775,508	
				<b>8,775,508</b>	
<b>Total long-term borrowings</b>				<b>83,573,267</b>	
<b>Total borrowings</b>				<b>156,482,125</b>	

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)

December 31, 2014

(Currency – In TL)

13. Borrowings (continued)

					December 31, 2013
					TL
	Interest rate	Original currency	equivalent		Maturity
<b>Short-term</b>					
Short-term bank borrowings	TL Libor +9,75%-10,75%	TL	23,107,947	23,107,947	2014
	Euro Libor + 4,15%-4,50%	EUR	9,952,809	29,226,425	2014
	3,67%-5,53%	USD	7,537,139	16,086,515	2014
<b>Total short-term borrowings</b>				<b>68,420,887</b>	
<b>Long-term</b>					
Long-term bank borrowings	TL Libor + 3,4%-8,70%	TL	23,000,000	23,000,000	2014-2018
	Euro Libor+12%-14,45%	EUR	15,586,262	45,769,058	2014-2017
	6,4%	USD	16,000,000	34,148,800	2014-2018
				<b>102,917,858</b>	
Less: Current portion of long-term bank borrowings and finance lease obligations		TL	4,500,000	4,500,000	
		EUR	8,419,592	24,724,133	
		USD	3,000,000	6,402,900	
				<b>35,627,033</b>	
<b>Total long-term borrowings</b>				<b>67,290,825</b>	
<b>Total borrowings</b>				<b>171,338,745</b>	

Repayment plan of the long term borrowings as of December 31, 2014 and 2013 is as follows:

	December 31, 2014	December 31, 2013
2014	-	35,627,033
2015	8,775,508	23,672,975
2016	36,061,967	22,041,600
2017	33,084,550	15,307,650
2018	14,426,750	6,268,600
<b>Total</b>	<b>92,348,775</b>	<b>102,917,858</b>

## Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

### Notes to the financial statements (continued)

December 31, 2014

(Currency – In TL)

#### 14. Share capital

As of December 31, 2014 and 2013 the Company's paid in share capital is TL 76,000,000 (historical terms) comprising 760,000 shares of TL 100 par value.

The movement of share capital from January 1, 2013 to December 31, 2013 and from January 1, 2014 to December 31, 2014 is as follows:

	Number of common shares (historical - TL)	
At January 1, 2013 (Common shares, TL100, par value)	760,000	76,000,000
Share capital increase	-	-
At December 31, 2013 (Common shares, TL100, par value)	760,000	76,000,000
Share capital increase	-	-
At December 31, 2014 (Common shares, TL100, par value)	760,000	76,000,000

The composition of shareholders and their respective % of ownership as of December 31, 2014 and December 31, 2013, is as follows:

	December 31, 2014		December 31, 2013	
	Share (%)	TL	Share (%)	TL
Salentijn Properties	50.000	38,000,000	50.000	38,000,000
Cem Sak	49.984	37,988,000	49.984	37,988,000
Ado Madencilik	0.014	10,000	0,014	10,000
Yusuf Top	0.001	1,000	0.001	1,000
Başer Maden Sanayi	0.001	1,000	0.001	1,000
	100.00%	76,000,000	100.00%	76,000,000

#### 15. Retained earnings

Accumulated deficit as per the statutory financial statements, other than legal reserves, are available for distribution subject to the legal reserve requirement referred to below.

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the Company's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

## Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)  
December 31, 2014  
(Currency – In TL)

### 16. Related party disclosures

In the course of conducting its business, the Company conducted various business transactions with related parties on arm's length commercial terms. The most significant of these transactions as of December 31, 2014 and during the year then ended are as follows:

Related party	Rent income	Rent expense	Interest expense	Interest income	Purchases	Sales
Ado Madencilik Elektrik Ürt.San.Tic.A.Ş.	120,000	-	-	-	-	2,625
Adopen Plastik İnşaat San.A.Ş.	-	-	-	-	-	453
Yurt Çimento Sanayi ve Ticaret A.Ş.	-	-	-	-	-	3,998
TITAN Cement Company S.A	-	-	-	-	6,820,927	-
Çağlar Plastik San.A.Ş.	-	-	-	-	4,859,877	4,531,274
As Ado Hazır Beton San. ve Tic.A.Ş.	-	-	-	-	10,733,124	12,173,283
Efsu Nakliyat Tic.Ltd.Şti.	-	-	-	-	7,582,198	-
Yusuf Top	-	-	-	-	1,096,593	-
Başer Madencilik A.Ş.	-	-	-	-	-	15,000
Yurt Enerji Sanayi ve Ticaret A.Ş.	-	-	-	-	-	18,145
Pamucak Ltd.Şti.	-	-	-	-	80,043	-
Adosolar Mad.Enerji Üretim Yatırım San. Tic. A.Ş.	-	-	-	-	-	151
	120,000	-	-	-	31,172,762	16,744,929

	Due from related parties (*)	Due to related parties(**)
Ado Madencilik Elektrik Ürt.San.Tic.A.Ş.	29,830	-
Adopen Plastik İnşaat San.A.Ş.	1,219	-
As Ado Hazır Beton San. ve Tic.A.Ş.	1,929,406	-
Efsu Nakliyat Tic.Ltd.Şti.	-	863,688
Yusuf Top	-	144,245
Başer Madencilik A.Ş.	3,929	-
Pamucak Ltd.Şti.	-	84,451
	1,964,384	1,092,384

The significant related party transactions as of December 31, 2013 and during the year then ended are as follows:

Related party	Rent income	Rent expense	Interest expense	Interest income	Purchases	Sales
Ado Madencilik Elektrik Ürt.San.Tic.A.Ş.	120,000	-	-	-	-	315
Adopen Plastik İnşaat San .A.Ş.	-	-	-	-	-	580
Muğla Çimento San A.Ş.	-	-	-	-	1,206,313	-
As Çimento San. ve Tic. A.Ş.	-	-	-	-	9,285,696	3,171,106
Çağlar Plastik San. A.Ş.	-	-	-	-	10,508,172	9,196,655
As Ado Hazır Beton San. ve Tic. A.Ş.	-	-	-	-	6,884,124	12,460,411
Efsu Nakliyat Tic.Ltd.Şti.	-	-	-	-	5,775,123	-
Yusuf Top	-	-	-	-	1,265,635	-
Ado-Portisan Hazır Yapı Sist.İnş.Kalip A.Ş.	-	-	-	-	-	158
Başer Madencilik A.Ş.	-	-	-	-	-	9,947
Yurt Enerji Sanayi ve Ticaret A.Ş.	-	-	-	-	-	2,240
	120,000	-	-	-	34,925,063	24,841,412

(\*) Due from related parties are included in trade and other receivables.

(\*\*) Due to related parties are included in trade and other payables.

## Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)  
December 31, 2014  
(Currency – In TL)

### 16. Related party disclosures (continued)

	Due from related parties (*)	Due to related parties(**)
Adopen Plastik İnşaat San.A.Ş.	684	-
Muğla Çimento Sanayi A.Ş.	178,478	-
As Çimento San. ve Tic. A.Ş.	256,833	-
Çağlar Plastik San. A.Ş.	-	84,277
As Ado Hazır Beton San. ve Tic. A.Ş.	230,018	-
Efsu Nakliyat Tic.Ltd.Şti.	-	983,963
Yusuf Top	-	145,774
Ado-Portisan Hazır Yapı Sist.İnş.Kalıp A.Ş	-	-
Başer Madencilik A.Ş.	2,726	-
	668,739	1,214,014

(\*) Due from related parties are included in trade and other receivables.

(\*\*) Due to related parties are included in trade and other payables.

Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended December 31, 2014 and 2013, the Company has not recorded any impairment of receivables relating to amounts owed by related parties. This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

For the year ended December 31, 2014 compensation provided to top management of the Company is TL 969,003 (December 31, 2013 - TL 857,602).

### 17. Financial instruments

#### Financial risk management objectives and policies

The Company's principal financial instruments comprise bank loans, cash and short-term deposits. The main purpose of these financial instruments is to raise finance for the Company's operations. The Company has various financial instruments such as trade debtors and trade creditors, which arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate risk, liquidity risk, foreign currency risk and credit risk. The management reviews and agrees policies for managing each of these risks and they are summarized below.

**Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements (continued)**  
**December 31, 2014**  
 (Currency – In TL)

**17. Financial instruments (continued)**

**Interest rate risk**

The Company's exposure to the risk of changes in market interest rates relates primarily to the Company's debt obligations with floating interest rates.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in loan interest rates	Effect on loss/ (profit) before tax
<b>December 31, 2014</b>	<b>+5%</b> <b>(5%)</b>	<b>281,631</b> <b>(281,631)</b>
December 31, 2013	+5% (5%)	412,590 (412,590)

**Liquidity risk**

The Company monitors its risk to a shortage of funds by considering the maturity of both its accounts receivable and projected cash flows from operations.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

The table below summarizes the maturity profile of the Company's financial liabilities at December 31, 2014 and 2013 based on contractual undiscounted payments:

Year ended December 31, 2014	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Short term borrowings	-	33,571,716	30,561,635	-	-	64,133,351
Current portion of the long term borrowings	-	2,977,404	5,798,104	-	-	8,775,508
Long term borrowings	-	-	-	83,573,267	-	83,573,267
Trade and other payables	-	-	32,708,567	-	-	32,708,567
<b>Total</b>	<b>-</b>	<b>36,549,120</b>	<b>69,068,306</b>	<b>83,573,267</b>	<b>-</b>	<b>189,190,693</b>

Year ended December 31, 2013	On demand	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Short term borrowings	-	41,429,194	26,991,693	-	-	68,420,887
Current portion of the long term borrowings	-	10,623,900	25,003,133	-	-	35,627,033
Long term borrowings	-	-	-	67,290,825	-	67,290,825
Trade and other payables	-	-	27,534,439	-	-	27,534,439
<b>Total</b>	<b>-</b>	<b>52,053,094</b>	<b>79,529,265</b>	<b>67,290,825</b>	<b>-</b>	<b>198,873,184</b>



**Adođim imento Beton Sanayi ve Ticaret Anonim Őirketi**

Notes to the financial statements (continued)  
December 31, 2014  
(Currency – In TL)

**17. Financial instruments (continued)****Foreign currency risk**

As of December 31, 2014 and 2013, the foreign currency position of the Company is summarized below:

<b>Year ended December 31, 2014</b>		<b>Original currency</b>	<b>TL equivalent</b>
Cash and cash equivalents	EUR	9,185	25,907
	USD	8,769	20,334
			46,241
Trade and other receivables	EUR	469,469	1,324,231
	USD	384,001	890,461
	GBP	9,750	35,062
			2,249,754
<b>Total of assets in foreign currency</b>			<b>2,295,995</b>
Short-term borrowings	EUR	(5,297,994)	(14,944,051)
	USD	(375,000)	(869,588)
			(15,813,639)
Current portion of long term bank borrowings and financial lease obligations	EUR	(3,111,110)	(8,775,508)
			(8,775,508)
Trade and other payables	EUR	(337,275)	( 951,352)
	USD	(6,442,226)	(14,938,877)
			(15,890,229)
Long term borrowings and obligations under finance leases	EUR	(16,555,559)	(46,698,265)
			(46,698,265)
<b>Total of liabilities in foreign currency</b>			<b>(87,177,641)</b>
<b>Net foreign currency position</b>			<b>(84,927,887)</b>

Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi

Notes to the financial statements (continued)

December 31, 2014

(Currency – In TL)

17. Financial instruments (continued)

Year ended December 31, 2013		Original currency	TL equivalent
Cash and cash equivalents	EUR	2,210	6,490
	USD	3,921	8,369
			<b>14,859</b>
Trade and other receivables	EUR	687,945	2,020,151
	USD	392,955	838,684
	GBP	9,750	34,236
			<b>2,893,071</b>
<b>Total of assets in foreign currency</b>			<b>2,907,930</b>
Short-term borrowings	EUR	(9,952,809)	(29,226,425)
	USD	(7,537,139)	(16,086,516)
			<b>(45,312,941)</b>
Current portion of long term bank borrowings and financial lease obligations	EUR	(8,419,592)	(24,724,133)
	USD	(3,000,000)	(6,402,900)
			<b>(31,127,033)</b>
Trade and other payables	EUR	(3,790)	(11,129)
	USD	(448,894)	(958,075)
			<b>(969,204)</b>
Long term borrowings and obligations under finance leases	EUR	(7,166,669)	(21,044,925)
	USD	(13,000,000)	(27,745,900)
			<b>(48,790,825)</b>
<b>Total of liabilities in foreign currency</b>			<b>(126,200,003)</b>
<b>Net foreign currency position</b>			<b>(123,292,073)</b>

The following table demonstrates the sensitivity to reasonably possible changes in US Dollar, Euro and GBP exchange rates, with all other variables held constant, of the Company's loss before tax due to changes in the fair value of monetary assets and liabilities.

			Increase in foreign exchange rates		Decrease in foreign exchange rates
December 31, 2014	USD	+5%	(744,884)	(5%)	744,884
	EURO	+5%	(3,500,952)	(5%)	3,500,952
	GBP	+5%	1,753	(5%)	(1,753)
December 31, 2013	USD	+5%	(2,517,317)	(5%)	2,517,317
	EURO	+5%	(3,648,999)	(5%)	3,648,999
	GBP	+5%	1,712	(5%)	(1,712)

## **Adođim imento Beton Sanayi ve Ticaret Anonim Őirketi**

**Notes to the financial statements (continued)**  
**December 31, 2014**  
(Currency – In TL)

### **17. Financial Instruments (continued)**

#### **Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. With respect to credit risk arising from the financial assets of the Company, which comprise cash and cash equivalents and trade receivables, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

The Company seeks to manage its credit risk exposure through diversification of sales activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate. It is the Company's policy to enter into financial instruments with a diversity of creditworthy counterparties.

#### **Capital management**

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company make yearly and 5 years plans considering the necessary investments and supported with a yearly cash plan submitted to the board and may adjust the dividend payment to shareholders or the shareholders may make a direct cash contribution of the required working capital to the Company.

#### **Fair value of financial assets and liabilities**

Fair value is the amount for which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists. The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange. The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

##### *Financial assets*

Monetary assets for which the fair value approximates carrying value, balances denominated in foreign currencies are translated at year end exchange rates. The fair values of certain financial assets carried at cost are considered to approximate their respective carrying values due to their short-term nature.

##### *Financial liabilities*

The fair values of trade payables and other short term monetary liabilities are considered to approximate their respective carrying values due to their short-term nature. The fair values of bank loans also approximate their carrying values since they bear variable interest rates

**Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi**

Notes to the financial statements (continued)  
December 31, 2014  
(Currency – In TL)

**18. Revenues and expenses**

	January 1, 2014 to December 31, 2014	January 1, 2013 to December 31, 2013
<b>Revenues</b>		
Domestic sales	232,258,167	211,447,047
Export sales	12,055,681	18,780,121
	<b>244,313,848</b>	<b>230,227,168</b>

**Cost of sales**

The breakdown of cost of sales is as follows:

	January 1, 2014 to December 31, 2014	January 1, 2013 to December 31, 2013
Variable costs	125,531,388	121,169,274
Fixed costs	17,167,932	14,727,719
Distribution costs	15,825,510	23,823,380
Packing costs	10,215,462	10,514,638
Depreciation and amortization	8,499,489	8,011,506
<b>Total</b>	<b>177,239,781</b>	<b>178,246,517</b>

**Selling and marketing expenses**

	January 1, 2014 to December 31, 2014	January 1, 2013 to December 31, 2013
Salaries and related expenses	2,318,452	1,866,325
Car expenses	365,765	333,261
Travelling expenses	86,015	80,815
Other	498,740	445,853
<b>Total</b>	<b>3,268,972</b>	<b>2,726,254</b>

**Adođim imento Beton Sanayi ve Ticaret Anonim Őirketi**

Notes to the financial statements (continued)  
December 31, 2014  
(Currency – In TL)

**18. Revenues and expenses (continued)****Administrative expenses**

	January 1, 2014 to December 31, 2014	January 1, 2013 to December 31, 2013
Salaries and related expenses	4,559,156	4,408,652
Depreciation expenses	470,019	576,160
Rent expenses	336,323	249,612
Telephone and post expenses	233,803	257,306
Car expenses (car rentals, maintenance, fuel)	225,895	219,055
Consultancy expenses	211,870	231,884
Professional service fees and related expenses	205,137	173,865
Cleaning and security expenses	179,242	386,986
Travelling expenses	169,041	163,727
Advertising and promotion expenses	94,334	106,033
Other	745,005	1,464,176
<b>Total</b>	<b>7,429,825</b>	<b>8,237,456</b>

**Personnel expenses**

	January 1, 2014 to December 31, 2014	January 1, 2013 to December 31, 2013
Wages and salaries	13,321,869	12,121,662
Cost of defined contribution plan (employer's share of social security premiums)	1,558,242	1,499,715
Provision for employee termination benefits	144,165	367,670
	<b>15,024,276</b>	<b>13,989,047</b>

Average number of employees for the year ended December 31, 2014 is 272 (December 31, 2013 is 252).

**Depreciation and amortization expenses**

	January 1, 2014 to December 31, 2014	January 1, 2013 to December 31, 2013
Cost of sales	8,499,489	8,011,506
Administrative expenses	470,019	576,160
	<b>8,969,508</b>	<b>8,587,666</b>

**Adođım imento Beton Sanayi ve Ticaret Anonim Őirketi**

Notes to the financial statements (continued)  
December 31, 2014  
(Currency – In TL)

**18. Revenues and expenses (continued)****Other operating income**

	January 1, 2014 to December 31, 2014	January 1, 2013 to December 31, 2013
Profit from sales of intangible assets	2,619,110	93,755
Other	461,529	342,976
	<b>3,080,639</b>	<b>436,731</b>

**Other operating expense**

	January 1, 2014 to December 31, 2014	January 1, 2013 to December 31, 2013
Provision for doubtful receivables	4,000,000	1,000,000
Vacation pay liability	164,674	122,102
Retirement pay liability change, net	(63,339)	(56,782)
Other	523,384	720,295
	<b>4,624,719</b>	<b>1,785,615</b>

**Financial expense, net**

	January 1, 2014 to December 31, 2014	January 1, 2013 to December 31, 2013
Foreign exchange gains	19,707,052	7,253,081
Total financial income	<b>19,707,052</b>	<b>7,253,081</b>
Foreign exchange losses	(18,107,451)	(33,587,383)
Interest expense	(21,581,718)	(13,657,045)
Total financial expense	<b>(39,689,169)</b>	<b>(47,244,428)</b>
Financial expense, net	<b>(19,982,117)</b>	<b>(39,991,347)</b>

**Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi**

Notes to the financial statements (continued)  
December 31, 2014  
(Currency – In TL)

**19. Income taxes**

	January 1, 2014 to December 31, 2014	January 1, 2013 to December 31, 2013
Income tax	(6,257,810)	-
Deferred tax charge	(830,025)	(75,442)
	<b>(7,087,835)</b>	<b>(75,442)</b>

**a) Current tax**

The Company is subject to taxation in accordance with the tax regulations and the legislation effective in Turkey.

In Turkey, the corporation tax rate as of December 31, 2014 is 20% (2013 – 20%). Corporate tax returns are required to be filed until the twenty-fifth of the fourth month following the balance sheet date and paid in one installment until the end of the fourth month. The tax legislation provides for a temporary tax of 20% to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

Corporate tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

15% (2013 - 15%) withholding applies to dividends distributed by resident corporations to resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distributions by resident corporations to resident corporations are not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

A reconciliation of income tax credit to profit before income tax is as follows:

	January 1, 2014 to December 31, 2014	January 1, 2013 to December 31, 2013
(Loss)/profit before taxes	34,849,073	(323,290)
Tax credit at the tax rate of 20%	(6,969,815)	64,658
Non-deductible expenses	(127,475)	(191,439)
Other	9,455	51,339
<b>Taxation on income per income statement</b>	<b>(7,087,835)</b>	<b>(75,442)</b>

**Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements (continued)**  
**December 31, 2014**  
(Currency – In TL)

**19. Income taxes (continued)**

At December 31, 2014 and 2013 the fiscal calendar years in which the carry forward tax losses of the Company will expire are as follows:

	<b>December 31, 2014</b>	December 31, 2013
2018	-	2,067,357
	-	2,067,357

**b) Deferred tax**

The breakdown of cumulative temporary differences and the resulting deferred tax assets and liabilities as of December 31, 2014 and 2013 using the prevailing effective statutory tax rate is as follows:

	December 31, 2014		December 31, 2013	
	Cumulative temporary differences	Deferred tax assets / (liabilities)	Cumulative temporary differences	Deferred tax assets / (liabilities)
Effect of useful life and prorata adjustment on property, and equipment and intangibles	(1,347,916)	(75,904)	7,527,377	1,159,989
Provision for doubtful receivables	7,500,000	1,500,000	3,500,000	700,000
Provision for vacation pay liability	799,095	159,819	634,421	126,884
Provision for employee termination benefits	731,836	146,367	822,239	164,448
Discount on receivables	608,728	121,746	613,372	122,674
Unused tax losses	-	-	2,067,357	413,471
<b>Total deferred tax asset, net</b>	<b>8,291,743</b>	<b>1,852,028</b>	<b>15,164,766</b>	<b>2,687,466</b>

The movement of deferred tax asset for the year ended December 31, 2014 and December 31, 2013 is as follows;

	<b>December 31, 2014</b>	December 31, 2013
Balance at January 1	2,687,466	2,714,909
Deferred tax (charge) / gain recognized in other comprehensive income	(5,413)	47,999
Deferred tax (charge) / gain recognized in statement of income	(830,025)	(75,442)
<b>Balance at December 31</b>	<b>1,852,028</b>	<b>2,687,466</b>



**Adoçim Çimento Beton Sanayi ve Ticaret Anonim Şirketi**

**Notes to the financial statements (continued)**  
**December 31, 2014**  
(Currency – In TL)

**19. Income taxes (continued)**

As of December 31, 2014 and 2013, the Company's tax asset/(liability) as follows;

	<b>December 31, 2014</b>	<b>December 31, 2013</b>
Current year corporate tax expense	<b>6,257,810</b>	-
Prepaid tax	<b>(5,361,269)</b>	-
<b>Tax payable</b>	<b>896,541</b>	-

**20. Commitments and contingencies**

As of December 31, 2014, there are mortgages amounting to EUR 10,500,000 on Sultanköy plant for the loan from TSKB amounting to EUR 5,000,000. There are also mortgages amounting to TL 101,000,000 and EUR 26,000,000 on Artova plant for the loans from Garanti Bankası amounting to TL 59,000,000 and EUR 20,000,000, on Antalya plant EUR 15,000,000 related to the loan given by Finansbank amounting to EUR 10,000,000.