Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries

Consolidated Financial Statements
As at and For The Year Ended
31 December 2016
With Independent Auditor's Report Thereon

9 March 2017

This report includes 5 pages of independent auditor's report and 75 pages of consolidated financial statements together with their explanatory notes.

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries

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Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Consolidated Statement of Financial Position
As at 31 December 2016
(Amounts expressed in Turkish Lira unless otherwise stated.)

ASSETS	Notes	Audited 31 December 2016	Restated and Audited 31 December 2015	Restated and Audited 1 January 2015
Current assets				
Cash and cash equivalents	*22*	219,364,855	48,452,416	34,238,000
Trade and other receivables	*21*	219,696,945	119,782,399	31,356,151
Due from related parties	*33*	59,937,752	67,345,504	65,092,228
Derivative financial assets	*30*	6,505,190	36,357	2,739,512
Inventories	*18*	416,441,014	339,796,708	225,978,896
Prepayments	*20*	7,235,914	21,076,251	19,562,477
Current tax assets	*12*	3,311,741	5,005,240	9,213,837
Other current assets	*19*	94,280,951	138,687,819	80,293,424
		1,026,774,362	**740,182,694**	**468,474,525**
Assets held for sale	*35*	448,888,338	--	--
Total current assets		**1,475,662,700**	**740,182,694**	**468,474,525**
Non-current assets				
Financial investments	*16*	412,408	412,408	412,408
Trade receivables and other receivables	*21*	20,170,031	2,484,450	1,163,205
Property, plant and equipment	*13*	2,546,747,274	3,236,028,056	2,799,824,708
Intangible assets	*14*	60,978,594	3,432,802	2,665,753
Goodwill	*15*	6,848,196	6,848,196	6,848,196
Prepayments	*20*	1,467,215	99,858,150	137,665,086
Deferred tax asset	*17*	143,133,739	63,167,570	93,422,465
Total non-current assets		**2,779,757,457**	**3,412,231,632**	**3,042,001,821**
TOTAL ASSETS		**4,255,420,157**	**4,152,414,326**	**3,510,476,346**

(Amounts expressed in Turkish Lira unless otherwise stated.)

LIABILITIES	**Notes**	**Audited 31 December 2016**	**Restated and Audited 31 December 2015**	**Restated and Audited 1 January 2015**
Current liabilities				
Loans and borrowings	*25*	1,054,527,686	884,776,408	576,251,226
Other financial liabilities	*26*	290,803,980	53,220,162	44,423,270
Trade payables and other payables	*21*	294,361,854	280,445,059	211,450,596
Due to related parties	*33*	64,689,396	132,755,519	68,287,377
Derivative financial liabilities	*30*	--	7,207,234	1,538,206
Taxation payable on income	*12*	8,664,346	6,801,785	9,552,718
Provisions	*29*	2,034,761	990,316	988,777
Other current liabilities	*28*	6,769,071	3,770,301	3,287,672
Deferred revenue		619,344	--	143,739
Subtotal		**1,722,470,438**	**1,369,966,784**	**915,923,581**
Liabilities held for sale	*35*	369,543,650	--	--
Total current liabilities		**2,092,014,088**	**1,369,966,784**	**915,923,581**
Non-current liabilities				
Loans and borrowings	*25*	1,366,741,968	1,664,241,052	1,380,301,681
Other financial liabilities	*26*	251,312,465	188,119,144	53,694,282
Reserve for employee severance indemnity	*27*	2,899,099	4,385,783	5,208,671
Deferred tax liabilities	*17*	52,187,628	44,578,442	76,058,817
Total non-current liabilities		**1,673,141,160**	**1,901,324,421**	**1,515,263,451**
Total liabilities		**3,765,155,248**	**3,271,291,205**	**2,431,187,032**
EQUITY				
Share capital	*23*	615,157,050	615,157,050	615,157,050
Legal reserve	*23*	44,342,753	42,114,653	31,652,019
Cash flow hedge reserves		1,071,273	(5,765,383)	961,128
Actuarial gain/loss		1,214,288	121,695	(461,036)
Translation reserves		28,453,746	59,613,269	30,556,869
Share premium		247,403,635	247,403,635	247,403,635
Accumulated losses / (Retained earnings)		(77,029,456)	144,479,048	154,941,682
Net loss for the year		(368,010,433)	(219,280,404)	--
Total equity attributable to equity holders of the Company		**492,602,856**	**883,843,563**	**1,080,211,347**
Non-controlling interests	*23*	(2,337,947)	(2,720,442)	(922,033)
Total equity		**490,264,909**	**881,123,121**	**1,079,289,314**
TOTAL EQUITY AND LIABILITIES		**4,255,420,157**	**4,152,414,326**	**3,510,476,346**

The accompanying notes from an integral part of those consolidated financial statements

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2016
(Amounts expressed in Turkish Lira unless otherwise stated.)

INCOME STATEMENT	Notes	Audited 1 January- 31 December 2016	Audited 1 January- 31 December 2015
Revenues	6	3,178,201,840	2,306,686,571
Cost of sales	6	(2,907,157,616)	(1,979,460,260)
Gross profit		**271,044,224**	**327,226,311**
Administrative expenses	9	(30,017,491)	(22,514,155)
Marketing and selling expenses	10	(839,496)	(547,438)
Other operating income	7	12,805,376	3,332,673
Other operating expenses	7	(9,297,643)	(11,198,370)
Operating profit		**243,694,970**	**296,299,021**
Gain from investing activities	8	3,950,599	29,153,783
Loss from investing activities	8	(90,155,036)	(552,742)
Operating profit before finance costs		**157,490,533**	**324,900,062**
Financial income	11	51,460,853	218,855,058
Financial expenses	11	(636,073,155)	(768,997,936)
Net financial costs		**(584,612,302)**	**(550,142,878)**
Loss before tax for the period		**(427,121,769)**	**(225,242,816)**
Tax benefit		**59,497,788**	**4,164,003**
Current tax expense	12	(15,498,190)	(6,638,086)
Deferred tax benefit	12	74,995,978	10,802,089
Loss for the period		**(367,623,981)**	**(221,078,813)**
Non-controlling interest		386,452	(1,798,409)
Attributable to equity holders of the parent		(368,010,433)	(219,280,404)
Total loss for the period from continuing operations		**(367,623,981)**	**(221,078,813)**
Other Comprehensive Income			
Items that will not be reclassified to profit or loss:			
Remeasurements of the defined benefit liability		1,356,704	728,414
Tax on items that will not be reclassified to profit or loss		(271,341)	(145,683)
Items that are or may be reclassified subsequently to profit or loss:			
Effective portion of changes in fair value of cash flow hedges		8,546,356	(8,408,219)
Foreign currency translation differences from foreign operations		(31,156,679)	29,056,400
Tax on items that are or may be reclassified subsequently to profit or loss		(1,709,271)	1,681,708
Other comprehensive income for the period, net of tax		**(23,234,231)**	**22,912,620**
Total comprehensive loss for the period		**(390,858,212)**	**(198,166,193)**
Non-controlling interests		382,495	(1,798,409)
Attributable to equity holders of the parent		(391,240,707)	(196,367,784)

The accompanying notes from an integral part of those consolidated financial statements

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Consolidated Statement of Changes in Equity
For The Year Ended 31 December 2016
(Amounts expressed in Turkish Lira unless otherwise stated.)

SHAREHOLDERS' EQUITY	Share capital	Share premium	Legal reserves	Actuarial gain/ (loss)	Cash flow hedge reserve	Translation differences	Retained earnings/ Accumulated Losses	Net Profit /(Loss)	Total	Non-controlling interests	Total Equity
Balance at 31 December 2014	**615,157,050**	**247,403,635**	**31,652,019**	**(488,682)**	**961,047**	**--**	**206,970,431**	**39,437,144**	**1,141,092,644**	**(1,384,837)**	**1,139,707,807**
Restatement	--	--	--	27,646	81	30,556,869	(83,629,100)	(7,836,793)	**(60,881,297)**	462,804	**(60,418,493)**
Balance at 31 December 2014 as restated	**615,157,050**	**247,403,635**	**31,652,019**	**(461,036)**	**961,128**	**30,556,869**	**123,341,331**	**31,600,351**	**1,080,211,347**	**(922,033)**	**1,079,289,314**
Total comprehensive income											
Net loss for the period	--	--	--	--	--	--	--	(219,280,404)	**(219,280,404)**	(1,798,409)	**(221,078,813)**
Transfer to retained earnings	--	--	10,462,634	--	--	--	21,137,717	(31,600,351)	**--**	--	**--**
Total other comprehensive income											
Actuarial gain / (loss)	--	--	--	582,731	--	--	--	--	**582,731**	--	**582,731**
Translation difference	--	--	--	--	--	29,056,400	--	--	**29,056,400**	--	**29,056,400**
Effective portion of changes in fair value of cash hedges	--	--	--	--	(6,726,511)	--	--	--	**(6,726,511)**	--	**(6,726,511)**
Total other comprehensive income for the period	**--**	**--**	**--**	**582,731**	**(6,726,511)**	**29,056,400**	**--**	**--**	**22,912,620**	**--**	**22,912,620**
Total comprehensive loss for the period	**--**	**--**	**10,462,634**	**582,731**	**(6,726,511)**	**29,056,400**	**21,137,717**	**(250,880,755)**	**(196,367,784)**	**(1,798,409)**	**(198,166,193)**
Balance at 31 December 2015	**615,157,050**	**247,403,635**	**42,114,653**	**121,695**	**(5,765,383)**	**59,613,269**	**144,479,048**	**(219,280,404)**	**883,843,563**	**(2,720,442)**	**881,123,121**

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Consolidated Statement of Changes in Equity
For The Year Ended 31 December 2016

(Amounts expressed in Turkish Lira unless otherwise stated.)

SHAREHOLDERS' EQUITY	Share capital	Share premium	Legal reserves	Actuarial gain/ (loss)	Cash flow hedge reserve	Translation differences	Retained earnings/ Accumulated Losses	Net Profit /(Loss)	Total	Non-controlling interests	Total Equity
Balance at 31 December 2015	**615,157,050**	**247,403,635**	**42,114,653**	**1,377,489**	**(5,765,787)**	**(64,522)**	**203,324,778**	**(228,419,769)**	**875,127,527**	**(2,213,520)**	**872,914,007**
Restatement	--	--	--	(1,255,794)	404	59,677,791	(58,845,730)	9,139,365	**8,716,036**	(506,922)	**8,209,114**
Balance at 31 December 2015 as restated	**615,157,050**	**247,403,635**	**42,114,653**	**121,695**	**(5,765,383)**	**59,613,269**	**144,479,048**	**(219,280,404)**	**883,843,563**	**(2,720,442)**	**881,123,121**
Total comprehensive income											
Net profit for the period	--	--	--	--	--	--	--	(368,010,433)	**(368,010,433)**	386,452	**(367,623,981)**
Transfer to retained earnings	--	--	2,228,100	--	--	--	(221,508,504)	219,280,404	**--**	--	**--**
Total other comprehensive income											
Actuarial gain / (loss)	--	--	--	1,092,593	--	--	--	--	**1,092,593**	(7,230)	**1,085,363**
Translation difference	--	--	--	--	--	(31,159,523)	--	--	**(31,159,523)**	2,844	**(31,156,679)**
Effective portion of changes in fair value of cash hedges	--	--	--	--	6,836,656	--	--	--	**6,836,656**	429	**6,837,085**
Total other comprehensive loss for the period	--	--	--	1,092,593	6,836,656	(31,159,523)	--	--	**(23,230,274)**	(3,957)	**(23,234,231)**
Total comprehensive loss for the period	**--**	**--**	**2,228,100**	**1,092,593**	**6,836,656**	**(31,159,523)**	**(221,508,504)**	**(148,730,029)**	**(391,240,707)**	**382,495**	**(390,858,212)**
Balance at 31 December 2016	**615,157,050**	**247,403,635**	**44,342,753**	**1,214,288**	**1,071,273**	**28,453,746**	**(77,029,456)**	**(368,010,433)**	**492,602,856**	**(2,337,947)**	**490,264,909**

Aksa Enerji Üretim Anonim Şirketi and its Subsidiaries
Consolidated Statement of Cash Flows
For The Year Ended 31 December 2016

(Amounts expressed in Turkish Lira unless otherwise stated.)

CASH FLOWS FROM OPERATING ACTIVITIES	**Notes**	**1 January- 31 December 2016**	**1 January- 31 December 2015**
Net loss for the period		(367,623,980)	(221,078,812)
Depreciation and amortization	13,14	191,172,113	146,593,311
Provision for employee severance indemnity	27	1,712,859	1,886,733
Interest expense and gains	11	291,174,762	148,559,327
Change in allowance for doubtful other receivables	7	185,084	5,657,042
Tax income	12	(59,497,789)	(4,164,004)
Gain on sale of property, equipment and intangible assets	8	86,204,437	(28,601,041)
Unrealized foreign currency income/loss		304,126,157	71,791,827
Operating profit before working capital changes		**447,453,643**	**120,644,383**
Change in trade and other receivables		(106,104,686)	(86,806,124)
Change in inventories		(64,551,052)	(105,219,399)
Change in other current assets		(129,966,748)	(71,629,624)
Change in trade and other payables		7,345,079	74,106,897
Change in due to related parties		(16,673,836)	59,355,708
Change in due from related parties		4,604,911	(2,253,276)
Change in other current liabilities		19,248,215	(1,361,046)
Change in prepayments		77,465,346	18,950,658
		238,820,872	**5,788,177**
Tax paid	12	(10,145,584)	(4,841,540)
Employee termination indemnity paid	27	(1,315,962)	(1,981,207)
Interest paid		(270,982,436)	(128,494,442)
Interest received	11	9,235,357	3,250,695
Net cash used in operating activities		**(34,387,753)**	**(126,278,317)**
CASH FLOWS FROM INVESTING ACTIVITIES			
(Purchases) / Disposals of property, plant and equipment and intangible assets, net		(66,839,765)	(554,962,667)
Disposal of subsidiary		23,617,991	--
Net cash used in investing activities		**(43,221,774)**	**(554,962,667)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from banks borrowings		827,459,875	1,127,730,071
Repayment of banks borrowings		(836,707,725)	(550,359,347)
Proceeds from issued debt instruments		200,000,000	135,000,000
Net cash inflow from derivatives		6,468,833	8,372,183
Net cash outflow from derivatives		(25,310,463)	--
Net cash provided from financing activities		**171,910,520**	**720,742,907**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS BEFORE THE EFFECTS OF FOREIGN EXCHANGE FLUCTUATIONS		**94,300,993**	**39,501,923**
TRANSLATION RESERVE EFFECT		(83,697,061)	(42,735,427)
NET INCREASE(DECREASE) IN CASH AND CASH EQUIVALENTS		10,603,932	(3,233,504)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	22	**31,004,496**	**34,238,000**
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	22	**41,608,428**	**31,004,496**

The accompanying notes from an integral part of those consolidated financial statements

(Amounts expressed in Turkish Lira unless otherwise stated.)

1. REPORTING ENTITY

Aksa Enerji Üretim A.Ş. ("Aksa Enerji" or "the Company") was established on 12 March 1997 to engage in constructing, lending and operating of electricity power plant, production and sale of electricity or energy production capacity to the customers. The Company's registered office address is Rüzgarlıbahçe Mahallesi, Özalp Çıkmazı, No:10, Kavacık-Beykoz, İstanbul / Turkey.

The shares of Company have been registered in the Borsa İstanbul A.Ş. ("BIST") on 21 May 2010 under the name "AKSEN" and the shares are now publicly traded on the Istanbul Stock Exchange.

The main shareholder of the Company is Kazancı Holding A.Ş. ("Kazancı Holding").

Aksa Enerji and its subsidiaries are collectively referred to as "the Group" in this report. The details of the subsidiaries included in the consolidation are as follows:

			Voting power held (%)	
Name of subsidiary – Foreign Branch	**Principal activity**	**Place of operation**	**31 December 2016**	**31 December 2015**
Aksa Aksen Enerji Ticareti A.Ş. ("Aksa Aksen Enerji")	Electricity trade	Turkey	100.00	100.00
Aksa Energy Ghana Limited ("Aksa Enerji Gana")	Electricity production	Ghana	75.00	75.00
Aksa Enerji Üretim A.Ş.-Y.Ş. ("Aksa Enerji – Y.Ş.")	Electricity production	TRNC	100.00	100.00
Aksa Ghana B.V. (Aksa Ghana B.V) (*)		Netherlands	100.00	--
Aksa Global Investment B.V. (*)		Netherlands	100.00	--
Aksa Göynük Enerji Üretim A.Ş. ("Aksa Göynük Enerji")	Electricity production	Turkey	99.99	99.99
Aksa Madagascar B.V. (*)		Netherlands	100.00	--
Aksaf Power Ltd. ("Aksaf Power") (*)	Electricity production	Mauritius	58.35	--
Alenka Enerji Üretim ve Yatırım Ltd. Şti. ("Alenka Enerji")	Electricity production	Turkey	99.56	90.45
Ayres Ayvacık Rüzgar Enerjisinden Elektrik Üretim Santrali A.Ş. ("Ayres Ayvacık Rüzgar")	Electricity production	Turkey	99.00	99.00
Baki Elektrik Üretim Ltd. Şti. ("Baki Elektrik")	Electricity production	Turkey	95.00	95.00
Deniz Elektrik Üretim Ltd. Şti. ("Deniz Elektrik")	Electricity production	Turkey	99.99	99.99
Gesa Güç Sistemleri A.Ş. ("Gesa Güç Sistemleri") (***)	Electricity production	Turkey	99.99	99.99
İdil İki Enerji Sanayi ve Ticaret A.Ş. ("İdil İki Enerji")	Electricity production	Turkey	99.99	99.99
Kapıdağ Rüzgar Enerjisi Elektrik Üretim Sanayi ve Ticaret A.Ş. ("Kapıdağ Rüzgar Enerjisi")	Electricity production	Turkey	94.00	94.00
Overseas Power Ltd. ("Overseas Power")(*)	Good and supply trade	Mauritius	100.00	--
Rasa Elektrik Üretim A.Ş. ("Rasa Elektrik")	Electricity production	Turkey	99.96	99.96
Rasa Enerji Üretim A.Ş. ("Rasa Enerji")	Electricity production	Turkey	99.99	99.99
Siirt Akköy Enerji Üretim A.Ş. ("Siirt Akköy Enerji") (**)	Electricity production	Turkey	--	100.00

(*)Aksaf Power, Aksaf Power, Overseas Power, Aksa Madagascar B.V, Aksa Gana B.V., Aksa Global B.V. subsidiary of the Group, were in start-up phase and was not consolidated due to the insignificance of their financial impact on the consolidated financial statements as of and for the year ended 31 December 2016.

(**) On 13 May 2016, the Group sold its shares in Siirt Akköy Enerji with all assets and liabilities to DC Elektrik Üretim A.Ş. ("DC Elektrik Üretim"). For detail information please see Note 34.

(***) Gesa Güç Sistemleri has been taken over by Rasa Enerji on 30 December 2016.

At 31 December 2016, the number of employees of the Group is 782 (31 December 2015: 779).

1. REPORTING ENTITY (continued)

Aksa Aksen Enerji:

Aksa Aksen Enerji was founded on 8 July 2015 by the Aksa Enerji with an ownership percent of 100,00% for the purpose of selling the electricity produced by the Group companies.

Aksa Energy Ghana

Aksa Energy Ghana was founded on 15 July 2015 by the Aksa Enerji in accordance with the electricity production and sale agreement signed with the Government of Ghana Republic. As of the reporting date, the construction of the power plant with a capacity of 370 Megawatt ("MW") in Ghana is in progress.

Aksa Enerji - Y.Ş.: On 10 March 2009, Aksa Enerji- Y.Ş. made an electricity sale agreement with Electricity Distribution Company of Turkish Northern Cyprus ("KIB-TEK") by providing service through lending the power plant constituting of diesel generator groups established in Kalecik-TRNC. The contract period is 15+3 years starting from 1 April 2009 and KIB-TEK commits to purchase all of the electricity produced during the contract period.

In accordance with the capacity increase investments of Kalecik Power Plant in TRNC, the installed capacity has been increased by 33 MW by the instalment of two units with the same engine specifications from the power plants whose licenses were cancelled. The installed capacity of our TRCN Kalecik Power Plant has increased to 153 MW, thus its percentage of availability has also grown by the increase in spare units capacity.

Aksa Enerji-Y.Ş.'s factory land was leased from a third party in TRNC for 10 years on 12 February 2010 by Kazancı Holding. Aksa Enerji-Y.Ş. subleases from Kazancı Holding for 10 years.

Aksa Ghana B.V:

On 24 November 2016, Aksa Ghana B.V. was established in Holland as a holding Company of Aksa Energy Ghana.

Aksa Global:

On 24 November 2016, Aksa Global was established in Holland to coordinate the foreign investments as a holding Company.

Aksa Göynük Enerji:

Aksa Göynük Enerji has an royalty agreement with General Directorate of Turkish Coal for the use of coal in Bolu-Göynük reservoir and Aksa Enerji has a licence for the utilisation of this coal in its power plant with 270 MW capacity.

On 28 October 2011, Aksa Enerji acquired 99,99% of all shares of Aksa Göynük Enerji from Kazancı Holding, the ultimate parent company. The main operations of Aksa Göynük Enerji are constructing, lending and operating of electricity power plant, production and sale of electricity and all kind of exploration and production of natural gas and petroleum resources and mining.

First and second units of the power plants with a capacity of 135 MW each started its operations on 30 September 2015 and 29 January 2016, respectively.

Aksa Madagascar B.V.:

On 19 October 2016, Aksa Madagascar B.V. was established as a holding Company of Aksaf Power.

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1. REPORTING ENTITY (continued)

Aksaf Power:

Aksa Enerji established Aksaf Power with participation by Aksa Enerji and a local partner with an ownership interest of 58,35% and 41,65%, respectively, in Mauritius for the purpose of constructing a Heavy Fuel Oil ("HFO") power plant with a capacity of 120 MW in Republic of Madagascar and guarantee sale of the electricity produced for 20 years. Aksaf Power started to construction of power plant upon receipt of the advances and guarantees in accordance with the agreement with Jiro Sy Rano Malagasy ("Jirama"), a public company in Republic of Madagascar providing water and electricity services in this country.

The tariffs in electricity sale agreement were dominated in US Dollars ("USD") and the guarantee sale of the power plant is expected by 700.000 MWh. The land, fuel supply and all license and permissions will be provided by Jirama. The construction of the power plant has started in the last quarter of 2016 and the electricity production and sale is expected within 2017. The equipment of the currently owned fuel oil power plants of Aksa Enerji are used in the construction of the power plant.

Alenka Enerji:

On 17 August 2011, Aksa Enerji acquired 80,00% of all shares of Alenka Enerji from a third party. Alenka Enerji has a wind power station with a total capacity of 27 MW including a power generation capacity of 3 MW under construction. In 2012 and 2016, the Group's ownership in Alenka Enerji increased to 90,45% and 99,56%, respectively, as a result of the additional share purchases.

Ayres Ayvacık Rüzgar:

On 18 April 2011, Aksa Enerji acquired 99,99% of all shares of Ayres Ayvacık Rüzgar from Kazancı Holding, the ultimate parent company. Ayres Ayvacık Rüzgar has a wind power station with an installed capacity of 5 MW in Ayvacık-Çanakkale. As described in Note 35, sales process of Ayres Ayvacık Rüzgar is in progress as at the reporting date.

Baki Elektrik:

Baki Elektrik was established on 4 July 2003 in Ankara for the purpose of production and sale of wind power electricity. In March 2004, Aksa Enerji acquired 95% of the shares of Baki Elektrik. In 2007, Baki Elektrik started the construction of a wind power station with a capacity of 90 MW in Şamlı-Balıkesir and the company started the electricity production after completion of the construction of this wind power station in September 2008.

The capacity of the plant increased to 114 MW upon completion of the additional capacity investment of 24 MW. The land in Şamlı- Balıkesir, where the wind power stations are located, are the own property of Baki Elektrik. As described in Note 35, sales process of Baki Elektrik is in progress as at the reporting date.

Deniz Elektrik:

Deniz Elektrik was initially established in 1997 in Izmir under the name of "Deniz Rüzgar Enerjisi ve Cihazları Sanayi ve Ticaret Limited Şirketi". In 2003, the company changed its name to Deniz Elektrik Üretim Limited Şirketi.

In May 2004, Aksa Enerji acquired 95,00% of all shares of Deniz Elektrik. On 13 August 2010, Aksa Enerji has made the purchase of new shares participate in Deniz Elektrik and raised its shares to 99.99%.

Deniz Elektrik establishedfor the purpose of producing electricity from wind energy. In 2004, the company obtained the operating licences of two wind power stations with a capacity of 30 MW and 10.8 MW, respectively, located in Sebenova-Hatay and Karakurt/Manisa.. As a result of the capacity expansion of Sebenova/Hatay wind power station, the total installed capacity increased to 60 MW.

Wind power station with a capacity of 11 MW in Karakurt/Manisa started its operation in June 2007. Wind power station with a capacity of 11 MW in Karakurt/Manisa started its operation in June 2007.

The lands in Karakurt-Manisa and Sebanova-Hatay, where the wind power stations are located, are the own property of Deniz Elektrik. As described in Note 35, sales process of Deniz Elektrik is in progress as at the reporting date.

1. REPORTING ENTITY (continued)

Gesa Güç Sistemleri:

On 2 April 2013, Aksa Enerji has acquired 99.99% of all shares of Gesa Güç Sistemleri from Kazancı Holding. As of the reporting date the company is non operating. Gesa Güç Sistemleri, a subsidiary of the Group, has been transferred to Rasa Enerji on 30 December 2016.

İdil İki Enerji:

In 2001, İdil İki Enerji was acquired by Koni İnşaat Sanayi A.Ş. ("Koni İnşaat"), a related party, from Bilkent Group. Idil İki Enerji has a fuel oil fired power plant located in Şırnak with a capacity of 24 MW. The power plant started its operations in 2001. On 5 March 2010, Aksa Enerji acquired 99,99% of all shares of İdil İki İnşaat from Koni İnşaat. Licence of power plant has been cancelled on 7 February 2017.

Kapıdağ Rüzgar:

On 31 May 2013, Aksa Enerji acquired 94,00% of all shares of Kapıdağ Rüzgar from Kazancı Holding. Kapıdağ Rüzgar has wind power station located located in Balıkesir with a capacity of 27 MW. As described in Note 35, sales process of Ayres Kapıdağ Rüzgar is in progress as at the reporting date.

Overseas Power

Overseas Power was established on 18 November 2016 in Mauritius in order to carry out the procurement of raw materials and goods mainly related to the activities of Aksaf Power. Overseas Power is dormant as of the reporting date.

Rasa Elektrik:

Rasa Elektrik located at Mardin established on January 1996 in order to meet the electricity needs of Mardin and surrounding areas. It sells its production to TEİAŞ ("Turkish Electricity Transmission Company").

The land over which the power plant is located in Mardin, has been leased from Koni İnşaat A.Ş. ("Koni İnşaat") in 2002, to be renewed annually. The factory which Rasa Elektrik manufacture of radiators has been leased from Koni İnşaat until 31 December 2012, the factory land is the property of Aksa Enerji.

In November 2013, part of the manufacturing of radiators was split and received the title which was the Rasa Endüstriyel Radyatörler Sanayi ve Ticaret A.Ş. Aksa Enerji does not have any partnership in the company.

The machine and equipment of Siirt power plant was sold to Rasa Elektrik Üretim A.Ş. before its transfer.

Rasa Enerji:

Rasa Enerji was established on 12 September 2000 for production and distribution of electricity. Rasa Enerji's 99.99% shares have been acquired by Aksa Enerji on 05 March 2010 from one of the related parties of Koni İnşaat.

Rasa Enerji had a natural gas power plant in Van, which has a 114.88 MW capacity. The total installed capacity of the Van plant was increased from 104 MW to 114.88 MW, as combined cycle in the last quarter of 2010.

As per the application to Energy Market Regulatory Authority, generation licence of Van Natural Gas Combined Cycle Power Plant, which had an installed capacity of 115 MW, has been cancelled. The power plant, which has a decreasing chance of generation in free market conditions within Turkey, is expected to be used abroad on a USD based contract with higher margins.

Urfa plant started to generate electricity in August 2011 with an installed capacity of 129 MW and the investment to transform the plant into a combined cycle engine driven technology was completed in 2012.

In accordance with the capacity increase works of Şanlıurfa Natural Gas Power Plant, 18 MW capacity has been accepted by the Ministry of Energy and Natural Resources and commissioned on 18 November 2015. Thus, the installed capacity of Şanlıurfa Natural Gas Power Plant is increased to 147 MW.

Siirt Akköy Enerji:

As of 31 August 2014, Rasa Elektrik has purchased the 100% stake of from third parties which has 24 MW of fuel oil power plant and 13 MW of hydroelectric power plant. 24 MW power plant was cancelled as a result of the application done by the Group to Energy Market Regulatory Authority.

On 13 May 2016, the Group sold its shares in Siirt Akköy Enerji with all assets and liabilities to DC Elektrik Üretim. For detail information please see Note 35.

(Amounts expressed in Turkish Lira unless otherwise stated.)

1. REPORTING ENTITY (continued)

As of 31 December 2016, electricity production licences held by the Group are as follows:

Licence Owner	Location	Type of Facility	Date of Licence Started	Licence Duration	The capacity of the plant (MWe)	The capacity under operation (MWe)
Aksa Enerji	KKTC	Fuel oil	--	--	153	153
Aksa Enerji	Belen- Atik (İskenderun-Hatay) (****)	WPP	13.03.2008	49 year	30	18
		Natural Gas				
Aksa Enerji	Antalya		13.11.2007	30 year	2,050	1,150
		Natural Gas				
Aksa Enerji	Manisa		21.02.2008	30 year	115	115
Aksa Enerji	İncesu-Ortaköy-Çorum	HPP	29.09.2005	40 year	15	15
Aksa Enerji	Mardin (***)	Fuel oil	14.07.2011	49 year	32	32
Aksa Enerji	Bitlis İli, Kor Barajı (*)	HPP	30.10.2008	49 year	26	-
Aksa Enerji	Adana, Yamanlı 1 Reg. (*)	HPP	20.05.2010	49 year	24	-
Aksa Enerji	Bolu	Thermal	25.03.2008	30 year	270	270
Alenka	Kırklareli-Kıyıköy	WPP	04.04.2007	20 year	27	27
Ayres	Ayvacık (****)	WPP	01.11.2007	25 year	5	5
Baki Elektrik	Merkez-Şamlı-Balıkesir (****)	WPP	06.04.2004	49 year	127	114
Deniz Elektrik	Sebenoba-Gözene-Yayladağı-Samandağ-Hatay(****)	WPP	04.06.2004	49 year	60	60
Deniz Elektrik	Karakurt-İlyaslar-Çakaltepe-Manisa(****)	WPP	05.12.2003	49 year	11	11
İdil İki	Şırnak	Fuel oil	22.03.2007	20 year	24	24
		Natural Gas				
Rasa Enerji	Şanlıurfa		12.05.2011	49 year	270	147
Rasa Elektrik	Mardin (***)	Fuel oil	22.03.2007	20 year	33	33
Kapıdağ	Balıkesir(****)	WPP	12.12.2006	49 year	35	24
Siirt Akköy	Giresun (**)	HPP	21.05.2014	42 year	--	--
Total					**3.307**	**2.198**

(*) The licences for which the investments are being planned but not started yet.

(**) On 13 May 2016, the Group sold its shares in Siirt Akköy Enerji with all assets and liabilities to DC Elektrik Üretim. For detail information please see Note 34.

(***) The licenses of 32 MWe Mardin power plant of Aksa Energy and 33 MWe Mardin power plants of Rasa Elektrik have been cancelled as of 26 January 2017.

(****) The sale process details of the wind power plants which are 232 MWe is described on Note 35.

2. BASIS OF PREPARATION

a) Statement of compliance

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

The consolidated financial statements as at and for the year ended 31 December 2016 were approved by the Board of Directors on 9 March 2017.

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 2004, except for the followings:

- derivative financial instruments 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,

The methods used to measure the fair values are discussed further in Note 4.

The financial statements of subsidiaries that report in the currency of an economy formerly accepted as hyperinflationary (Turkey) are restated in terms of the measuring unit current at the reporting dates until 31 December 2005. Turkey came off highly inflationary status for the period beginning after 15 December 2005, therefore restatement for IAS 29 ("Financial Reporting in Hyperinflationary Economies") has not been applied since 1 January 2006.

c) Functional and presentation currency

The Company and its subsidiaries operating in Turkey maintain their books of account and prepare their statutory financial statements in Turkish Lira ("TL") in accordance with the accounting principles as promulgated by the Turkish Commercial Code and Tax Procedure Law. The foreign subsidiaries maintain their books of account in accordance with the laws and regulations in force in the countries in which they are registered.

The accompanying consolidated financial statements expressed in TL. All financial information presented in TL has been rounded to the nearest TL amounts, except when otherwise indicated.

The table below summarises functional currencies of the Group entities.

Company	Functional currency
Aksa Enerji A.Ş.– Y.Ş.	US Dollars ("USD")
Rasa Elektrik	TL
Deniz Elektrik	TL
Baki Elektrik	TL
Rasa Enerji	TL
İdil İki Enerji	TL
Ayres Ayvacık Rüzgar	TL
Alenka Enerji	TL
Aksa Göynük Enerji	TL
Kapıdağ Rüzgar Enerjisi	TL
Gesa Güç Sistemleri	TL
Siirt Akköy Enerji	TL
Aksa Aksen Enerji	TL
Aksa Energy Ghana	USD

2. BASIS OF PREPARATION (continued)

c) Functional and presentation currency (continued)

Group entities Aksa Enerji – Y.Ş. and Aksa Enerji Ghana use USD as functional currencies since these currencies are used to a significant extent in, or have a significant impact on the operations of the related Group entities and reflect the economic substance of the underlying events and circumstances relevant to these entities. All currencies other than the currencies selected for measuring items in the consolidated financial statements are treated as foreign currencies. Accordingly, transactions and balances not already measured in the functional currencies have been re-measured to the related functional currencies in accordance with the relevant provisions of IAS 21, "*The Effects of Changes in Foreign Exchange Rates*".

d) Basis of consolidation

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. The Group controls an entity when it is exposed to, or has rights to, variable returns from involvement with the entity and has the ability to affect those returns through it power over the entity. In assessing control, the Group takes into consideration potential voting rights that currently are 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.

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.

ii) 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.

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) Non-controlling interests

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.

2. BASIS OF PREPARATION (continued)

d) Basis of consolidation (continued)

v) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any NCI and other components of equity related to the subsidiary. Any resulting gain or loss arising on the loss of control is recognised in profit or loss. Any interest retained in the former subsidiary, then such interest is measured at fair value at the date when control is lost.

vi) 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 interim financial statements.

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) cannot 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.

e) 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.

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.

(Amounts expressed in Turkish Lira unless otherwise stated.)

2. BASIS OF PREPARATION (continued)

e) Foreign currency (continued)

ii) Foreign operations (continued)

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.

The EUR/TL, USD/TL, GHS/USD and TL/USD as at 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
EUR/TL	3.7099	3.1776
USD/TL	3.5192	2.9076
GHS/USD	0.2324	0.2584
TL/USD	0.2842	0.3439

f) Use of judgements and estimates

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's 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 estimates are recognised prospectively.

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 20 – Net of trade receivables from KIBTEK and factoring liabilities: as the factoring agreements are irrevocable factoring liabilities in amount of TL 204,965,219 (31 December 2015: TL 104,210,205) and trade receivables from KIBTEK in amount of TL 42,410,407 (31 December 2015: TL 36,302,578) are presented in gross in the consolidated financial statements.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment as at and for the year ended 31 December 2016 is included in the following notes:

Note 16 – recognition of deferred tax assets: availability of future taxable profit against which tax losses carried forward can be used;

Note 3 – impairment test: key assumptions underlying recoverable amounts, including the recoverability of development costs and goodwill.

3. SIGNIFICANT ACCOUNTING POLICIES

a) Financial instruments

The Group classifies non-derivative financial assets into the following categories: held to maturity financial assets, loans and receivables and available for sale assets.
The Group classifies non-derivative financial liabilities into other financial liabilities category.

i) Non-derivative financial assets and financial liabilities - Recognition and derecognition

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: loans and receivables, and available-for-sale financial assets.

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.

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.

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.

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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

a) Financial instruments (continued)

ii) Non-derivative financial liabilities (continued)

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.

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

Share capital

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.

iii) Derivative financial instruments and hedge accounting

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, the hedging instrument expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

b) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Impairment (continued)

i) Non-derivative financial assets (continued)

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.

An impairment loss on a financial asset is the difference between the carrying amount of the financial asset and its expected future cash flows, discounted to its present value at the original effective interest rate. Losses are recorded in profit or loss and are presented using the accrual account.

If a subsequent event after impairment recognition causes decrease of impairment amount, the impairment loss is net off with impairment loss previously accounted in profit or loss.

ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

c) Inventories

Inventories are measured at the lower of cost and net realisable value. Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

The cost of inventories includes expenditure incurred in acquiring the inventories and other costs incurred in bringing them to their existing location and condition. The cost of inventories is calculated using the weighted average method.

d) Related parties

For the purposes of the financial statements, the shareholders, key management personnel and member of the Board of the Directors, in each case together with companies controlled by or affiliated with them are considered and referred to as related parties (Note 33).

Parties are considered related to the Group 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) An entity is related to a reporting entity if any of the following conditions applies:

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) 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.

(v) 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.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

e) Property and equipment

i) Recognition and measurement

Items of property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of certain items of property and equipment at 1 January 2005, the Group’s date of transition to IFRS, was determined with reference to its fair value at that date.

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

Gains and losses on disposal of an item of property and equipment are determined by comparing the net proceeds from disposal with the carrying amount of property and equipment, and are recognised net within “Other operating income / (expense)” in profit or loss.

(Amounts expressed in Turkish Lira unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Property and equipment (continued)

i) Recognition and measurement (continued)

During the production phase of the mine, the material removed when stripping in the production phase, often it will be a combination of ore and waste. Removal of material with a low ratio of ore to waste may produce some usable material, which can be used to produce inventory. This removal might also provide access to deeper levels of material that have a higher ratio of ore to waste that will be mined in future periods. The Group, recognize stripping activity asset when it is probable that the future economic benefit associated with the stripping activity will flow to the Group, identify the component of the ore body for which access has been improved; and the costs relating to the stripping activity associated with that component can be measured reliably. The Group shall allocate the production stripping costs between the inventory produced and the stripping activity asset by using an allocation basis that is based on mineral content of the ore extracted compared with expected mineral content to be extracted, for a given quantity of ore produced.
Since some incidental operations may take place at the same time as the production stripping activity, but which are not necessary for the production stripping activity to continue as planned, these incidental operations are not be included in the cost of the stripping activity asset.

ii) Subsequent costs

The cost of replacing a part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

iii) 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 recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. 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.

After initial recognition, the stripping activity asset is initially measured at its cost less depreciation and less impairment losses. Stripping activity asset is depreciated on a systematic basis, over the expected useful life of the identified component of the ore body that becomes more accessible as a result of the stripping activity.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	10 - 50 years
Machinery and equipment	10 - 40 years
Furniture and fixtures	5 - 15 years
Vehicles	5 - 8 years
Land improvements	5 years
Leasehold improvements	5 years

Power generation plants depreciated over shorter of licence term and their useful lives. The Group depreciates its power generation plants in different useful lives in accordance to their different useful lives.

Wind electricity powerhouse	20 years
Fuel oil power plants	40 years
Natural gas power plants	20 years
Hydroelectric power plants	40 years
Coal plants	40 years

Overhaul costs related to power generation plants have different useful lives, then they are accounted as separate items (major components) of power generation plants. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

f) Intangible assets

Other intangible assets

Other intangible assets that are acquired by the Group which have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

Goodwill

Goodwill arising on the acquisition of subsidiaries is measured at cost less accumulated impairment losses. Goodwill related to purchases of Baki Elektrik and Alenka Enerji are completely impaired as at 31 December 2016.

i) Subsequent measurement

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. Impairment losses are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

ii) Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets from the date that they are available for use. The estimated useful lives of licences for the current and comparative periods are between 2 and 49 years. Amortization methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

g) 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 where appropriate, and the risks specific to the liability.

h) Employee benefits

i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

ii) Other long-term employee benefits

In accordance with the existing labour law in Turkey, the Group entities 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, are called up for military service or die. Such payments are calculated on the basis of 30 days' pay maximum TL 4,297 as at 31 December 2016 (31 December 2015: TL 3,828) per year of employment at the of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the financial statements on a current basis. The management of the Group used some assumptions (detailed in Note 27) in the calculation of the retirement pay provision. The calculation was based upon the retirement pay ceiling announced by the Government.

Remeasurements arising from retirement pay comprise actuarial gains and losses. The Group recognises actuarial differences in other comprehensive income.

i) Contingent assets and liabilities

Possible assets or obligations that arise from past events and for which their existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not entirely within the control of the Group are treated as contingent assets or liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

i) Contingent assets and liabilities (continued)

A contingent liability is disclosed, unless the possibility of an outflow of resources embodying economic benefits is remote. If the possibility of transfer of assets is probable, contingent liability is recognized in the financial statements.

A contingent asset is disclosed, when the possibility of an inflow of economic benefits to the entity is probable. If it has become virtually certain that an inflow of economic benefits will arise, the asset and the related income are recognized in the financial statements of the period in which the change occurs.

j) Revenue

i) Electricity sales

Revenue mainly comprises electricity sales which are recognised when the electricity delivered to the customers and related risks and rewards transferred to the customers, recovery of the consideration is probable, the associated costs and possible return of sales can be estimated reliably. Electricity sales revenue are recorded at invoiced amounts by the delivery of electricity power to customers on an accrual basis. Revenue is measured net of sales commissions, taxes. Balancing invoices issued by TEIAŞ is recognised in cost of sales.

A certain portion of the Company's sales is realized with maturity and the fair value of the sales price determined by rediscounting of receivables to present value. Determination of the present value of the receivables; the interest rate that reduces the nominal value of the sales price to the sale price of the related good or service is used. The difference between the nominal value of the sales price and the fair value recognized as interest income in related periods.

k) Leases

i) Determining whether an agreement contains a lease

At inception of an arrangement, the Group determines whether the arrangement is or contains a lease.

At inception or on reassessment of an arrangement that contains a lease, the Group separates payments and other consideration required by the 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, then 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 cost on the liability is recognised using the Group’s incremental borrowing rate.

ii) Leased assets

Leases of property and equipment that transfer to the Group substantially all of the risks and rewards of ownership are classified as finance leases. The leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the assets are accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group’s statement of financial position.

iii) 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.

l) Finance income and finance costs

The Group’s finance income and finance costs include interest income, interest expense, the foreign currency gain or loss on financial assets and financial liabilities, bank commission expense and discount expense the net gain or loss on hedging instruments that are recognised in profit or loss and interest and late charge fees obtained from related parties. Interest income is recognised as it accrues in profit or loss, using the effective interest method. 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

m) Tax

Tax expense comprises current and deferred tax. Tax expense is 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.

i) Current tax

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

ii) 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, and differences relating to investments in subsidiaries and jointly controlled entities 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 the temporary differences when they reverse, based on the laws that have been 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 they 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.

The Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

iii) 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. 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.

n) Borrowing costs

In the case of assets requiring significant time-consuming (qualifying assets) to be ready for use and sale, borrowing costs that are directly attributable to the acquisition, construction or production are included in the cost of the asset until the asset is ready for use or sale. All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

o) Earnings per share

Earnings per share disclosed in profit or loss and other comprehensive income statement as calculated by dividing the net profit for the period by the weighted average number of shares in the market during the relevant period.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

p) Financial guarantee contract

A financial guarantee contract that requires a certain amount to be paid to the other side of the contract, When, a borrower does not meet its obligations with respect to a borrowing instrument in accordance with the original or amended terms of the borrowing instrument. The main reason of contract is to cover losses of group guarantee contract side.

The financial guarantee contract must be accounted for at fair value at the date of initial recognition. In subsequent periods it is measured at the higher of the amount to be determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets Standard or IAS 18 Revenue Standard.

Kazancı Holding, Kazancı Family and related companies, have signed the general loan contract as joint debtor and mutual assurance. As of 31 December 2016, The guarantees given for the loans are disclosed in Note 30 which used by group companies.

q) Segment reporting

The Operating Department is the unit in which the Group is able to generating revenue and making spend. Furthermore, in order to determine the results of the activities, the department is regularly audited by a unit authorized to take decisions on the activities of the Group in order to make decisions on the resources to be allocated and to evaluate the performance of the department. In addition, there is separate financial information of the Operating Department.

As at 31 December 2016 which is end of the financial year of the Group's, sales of industrial part, consist of electricity sales by 99 % (1 January-31 December 2015: 99 %) remaining part of sales consist of lignite, natural gas equipments and spare parts. For this reason, the Group management makes decisions regarding of the resources to be allocated and performance evaluations as a single operating department instead of separate departments.

r) Assets held for sale

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.

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.

s) 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 consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

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 2018. 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 financial position or performance of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Standards issued but not yet effective and not early adopted (continued)

IFRS 15 Revenue from Contracts with Customers

As issued in September 2016, the new standard replaces existing IFRS 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 Company expects to be entitled, rather than fair value and new guidance have been introduced on separating goods and services in a contract and recognizing revenue over time. The standard is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted under IFRS. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

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

In November 2013, the 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 (2013) 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 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 financial position or performance of the Group.

IFRS 16 Leases

On 13 January 2016, IASB published the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently change IAS 40 Investment Properties. IFRS 16 eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. The standard is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15-Revenue from Contracts with Customers. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

IFRIC 22 – Foreign Currency Transactions and Advance Consideration

The amendments clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognizes a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognizes the related asset, expense or income. The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability. If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Standards issued but not yet effective and not early adopted (continued)

Amendments to IAS 7 Statement of Cash Flows – Disclosure Initiative

IAS 7 Statement of Cash Flows has been amended as part of the IASB's broader disclosure initiative to improve presentation and disclosure in financial statements. The amendments will require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes. The amendments are effective for periods beginning on or after 1 January 2017, with earlier application permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

Amendments to IAS 12 Income Taxes– Recognition of Deferred Tax Assets for Unrealized Losses

The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments are effective for annual periods beginning on or after 1 January 2017. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

IFRS 2 Share-Based Payment has been amended by IASB to improving consistency and resolve some long-standing ambiguities in share-based payment accounting. The amendments cover three accounting areas: i) measurement of cash-settled share-based payments, ii) classification of share-based payments settled net of tax withholdings; and iii) accounting for modification of a share-based payment from cash-settled to equity-settled. Also, same approach has been adopted for the measurement of cash-settled share-based payments as equity-settled share-based payments. If certain conditions are met, share-based payments settled net of tax withholdings are accounted for as equity-settled share-based payments. The amendments are effective for periods beginning on or after 1 January 2018, with earlier application permitted. The Group does not expect that these amendments will have significant impact on the consolidated financial position or performance of the Group.

IAS 40 – Transfers of Investment Property

Amendments to IAS 40 - Transfers of Investment Property issued by IASB have been made to clarify uncertainty about that provide evidence of transfer of /from investment property to other asset groups. A change in management's intentions for the use of property does not provide evidence of a change in intended use. Therefore, when an entity decides to dispose of an investment property without development, it continues to treat the property as an investment property until it is derecognized (eliminated from the statement of financial position) and does not reclassify it as inventory. Similarly, if an entity begins to redevelop an existing investment property for continued future use as investment property, the property remains an investment property and is not reclassified as owner-occupied property during the redevelopment. The amendment is effective for annual reporting periods beginning on or after 1 January 2018 with earlier application is permitted. The Group is in the process of assessing the impact of the amendment on financial position or performance of the Group.

Improvements to IFRSs

The IASB issued Annual Improvements to IFRSs - 2014–2016 Cycle. The amendments are effective as of 1 January 2018. 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.

Annual Improvements to IFRSs 2014-2016 Cycle

IFRS 1 "First Time Adoption of International Financial Reporting Standards"

IFRS 1 is amended to clarify that the deletion of short-term exemptions for first-time adopters related to disclosures for financial instruments, employee benefits and consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

s) Standards issued but not yet effective and not early adopted (continued)

Improvements to IFRSs (continued)

IFRS 12 “Disclosure of Interests in Other Entities”

The amendments clarify that the entity is not required to disclose summarized financial information for that subsidiary, joint venture or associate under the requirements of IFRS 12, when an entity’s interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) is classified (or included in a disposal group that is classified) as held for sale in accordance with IFRS 5.

IAS 28 “Investments in Associates and Joint Ventures”

The amendment enable when an investment in an associate or a joint venture is held by, or is held indirectly through, an entity that is a venture capital organization, or a mutual fund, unit trust and similar entities including investment-linked insurance funds, the entity may elect to measure that investment at fair value through profit or loss in accordance with IFRS 9.

r) Correction of error

Two subsidiaries of the Group, Aksa Enerji – Y.Ş. and Aksa Enerji Ghana had been using TL and GSH as their functional currencies. As a result of assessment by management on 31 December 2016, the Group assessed that USD are used to a significant extent in, or have a significant impact on the Operations of the related Group entities and reflect the economic substance of the underlying events and circumstances relevant to these entities. All currencies other than the currencies selected for measuring items in the consolidated financial statements are treated as foreign currencies selected for measuring items in the consolidated financial statements are treated as foreign currencies. Accordingly, transactions and balance not already measured in the functional currencies have been re-measured to the related functional currencies in accordance with the relevant provisions of IAS 21 “*The Effects of Changes in Foreign Exchange Rates*”.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Correction of error (continued)

As a result of correction of this error in the Group's restated consolidated statement of financial position as at 31 December 2015 for the following accounts: *Translation Reserves* increased by TL 65,114,129 (1 January 2015: increased by TL 38,472,336), *Actuarial Gains/Losses* decreased by TL 1,255,794, *Retained Earnings* increased by TL *9,936,064* (1 January 2015: decreased by TL 1,259,769), non-controlling interests decreased by TL 506,922. *Net Loss* increased by TL 2,478,008.

The Group corrected the consolidated financial statements in accordance with *IFRIC 20 Stripping Costs In The Production Phase Of A Surface Mine*. As a result of correction of this error in the Group's restated consolidated statement of financial position as at 31 December 2015 for the following accounts: an increase in *Stripping Assets* and *Development Assets* by TL 65,483,738 (1 January 2015: increased by TL 43,328,692) and TL 5,245,440 (1 January 2015: increase by TL 4,395,086), respectively under *Property Plant and Equipment*, a decrease in the *Inventory* account by TL 84,555,274 (1 January 2015: increase by TL 43,616,136 TL), an increase in *Retained Earnings* increased by TL 4,107,642 (1 January 2015:decrease by TL 4,107,642), *Net Loss* increased by TL 17,933,738 (1 January 2015: net income increased by TL 7,190,091) has been recognised in the restated consolidated financial statements.

As a result of correction of this error in the Group's restated consolidated statement of profit or loss and other comprehensive income as at 31 December 2015 for the following accounts: an increase in depreciation expense under *Cost of Sales* by TL 1,650,963, *Cost of Goods Sold* excluding the effect of depreciation expense by TL 16,282,775 and total *Cost of Sales* decrease by TL 290,578 (31 December 2015: TL 17,933,738) have been recognised in the restated consolidated financial statements.

As at 31 December 2015 for the following accounts: *Derivative Instruments Assets* increased by TL 36,357; *Other Operating Expenses* increased by TL 36,357.

Impairment loss recognised in the consolidated financial statements before 1 January 2015 reversed by TL 16,410,537 in accordance with the revaluation report obtained in October 2015. As a result of correction of error, an increase in *Property, Plant and Equipment* account by TL 16,410,537; a decrease in *Retained Loss* account by TL 16,410,537 have been recognised as at 31 December 2015 in the restated consolidated financial statements. This error does not affect consolidated profit or loss and other comprehensive income as at 31 December 2015. An increase in *Other Income* by TL 1,650,963 have been recognised as of 31 December 2015.

The Group determined that there is an inconsistency in useful lives of similar assets under *Property, Plant and Equipment* account and corrected its consolidated financial statements. As a result of correction of this error in the Group's restated consolidated financial statement for the following accounts: an increase in *Property Plant and Equipment* account by TL 18,145,506 TL (1 January 2015: decrease by TL 6,199,525); and a decreased in *Retained Losses* by TL 4,806,482; decreased in *Net Loss* TL 13,333,857; an increase in *Non-Controlling Interests* by TL 5,168 have been recognised in the restated consolidated financial position. As a result of correction of this error in the Group's restated consolidated financial statement for the following accounts: decrease in *Depreciation Expenses* by TL 13,333,857.

As at 31 December 2015, as a result of other various correction of errors in the Group's consolidated financial statements, an increase in *Other Long-Term Assets* by TL 23,926,651; a decrease in *Inventory* by TL 36,856,033, *Goodwill* decrease by TL 223,983; due to related parties decreased by TL 1,001,462; a decrease in *Non-controlling Interest* by TL 2,568,772; a decrease in *Retained Losses* by TL 110,906,087 together with above adjustments, a decrease in *Cost Of Sales* by TL 23,926,651 have been recognised in the restated consolidated financial statements.

As at 31 December 2015 for the following accounts: *Property, plant and equipments* decreased by TL 15,395,282 (1 January 2015: 9,435,818); *Cost of goods sold* decreased by TL 5,959,464.

As a result of overall effect of above correction of errors, *Deferred Tax Liabilities* increased by TL 18,394,875, *Deferred Tax asset* decreased by TL 30,657,176, *Retained Losses* increased by TL 49,052,051, and as at 31 December 2015, *Deferred Tax Expense* decreased by TL 158,620.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

r) Correction of error (continued)

Reclassifications

The Group presented factoring liabilities in amount of TL 133,025,154 in *Trade and Other Payable* account to the *Other Financial Liabilities* TL 53,220,162 TL and TL 79,804,992 to long term *Other Financial Liabilities* and net-off prepaid commission expenses which was presented under *Other Current Assets* with financial liabilities in amount of TL 19,282,972 and transfer *Legal Reserves* TL 42,114,653 from *Retained Earnings*, long term bond issued accounts in amounts of TL 17,779,146 to short term *Financial Liabilities*, expenses from doubtful receivables in amount of TL 5,070,390 from *Administrative Expenses* to *Other Operating Expenses* in order to reflect better the nature of financial information. There are some other reclassification due to the change in detail of presentation in the face of the consolidated financial statements.

4. DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

i) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows discounted at the market rate of interest at the reporting date. Short-term receivables with no stated interest rate are measured at the original invoice amount if the effect of discounting is immaterial. These fair values are determined for disclosure purposes.

ii) Derivatives

The fair value of interest rate swaps are based on broker quotes. Those quotes are tested for reasonableness by discounting estimated future cash flows based on the terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date.

Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Group when appropriate.

iii) Non-derivative financial liabilities

Other non-derivative financial liabilities are measured at fair value, at initial recognition and for disclosure purposes, at each annual reporting date. Fair value is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the measurement date.

5. FINANCIAL RISK MANAGEMENT

Overview

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

- Credit risk
- Liquidity risk
- Market 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 risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Group considers its risks in respect of financial risks (credit, market, geographical, foreign exchange, liquidity and interest rate), operational and legal risks. The Group's risk management policies are established to identify and analyse the risk faced by the Group, 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 and the Group's activities.

Internal audit plans are based on risk assessments as well as the issues highlighted by the Audit Committee of Aksa Enerji management. Risk assessment is conducted on a continuous basis so as to identify not only existing risks but also emerging risks. Formally, risk assessment is made annually but more often if necessary.

5. 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 bank balances.

The Group has procedures in place to ensure that services are provided to customers with an appropriate credit history. The carrying amount of trade or other receivables, net of provision for impairment of receivables, and the total of cash and cash equivalents, and restricted bank balances represent the maximum amount exposed to credit risk. The main customer is TEİAŞ. Based on past history with these customers, the Group management believes there is no significant credit risk.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The 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 the Group's reputation.

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates 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.

The Group buys derivatives, and also incur financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines set by lenders and executives of the Group. The Group applies hedge accounting in order to manage volatility in interest rates.

i) Currency risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Group has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. As at 31 December 2016, the Group had balances that are denominated in a currency other than the respective functional currencies of Group entities, primarily TL, but also GHS which are disclosed within the relevant notes to these consolidated for the year ended financial statements. The currencies in which these transactions primarily denominated are USD and EUR. The Group manages this currency risk by maintaining foreign currency cash balances and using some financial instruments as mentioned in Note 31.

ii) Interest rate risk

Group, exposes interest rate risk due to reprising of variable interest rate borrowing risk of bank loans and financial lease liabilities. The aim of risk management is to optimize net interest gains and market interest rate in accordance with company policies The Group signed interest rate swap related with some variable rate borrowings.

Capital management

The main objective of the Company's capital management is to maintain a strong capital ratio in order to support its future development of the business and maintain an optimal capital structure to reduce cost of capital.

The Company manages its capital structure and makes adjustments on it according to its growth and economic conditions and competition at the market. In order to maintain or adjust the capital structure, the shareholders may make a direct cash contribution of the needed working capital to the Company.

There were no changes in the Group's approach to capital management during the period.

(Amounts expressed in Turkish Lira unless otherwise stated.)

6. REVENUE

The details of the Group's revenue, for the years ended on 31 December is as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Domestic sales	2,916,076,711	2,116,132,666
Foreign sales	262,606,821	191,728,201
Other sales	3,000	152,947
Sales returns	(484,692)	(1,327,243)
Net sales	**3,178,201,840**	**2,306,686,571**
Cost of sales (-)	(2,907,157,616)	(1,979,460,260)
Gross profit	**271,044,224**	**327,226,311**

	1 January- 31 December 2016	1 January- 31 December 2015
Revenue – amount		
Electricity	3,158,682,078	2,293,103,247
Materials and other income	19,333,061	1,096,314
Lignite sales and shipping costs	105,425	12,320,031
Generator	81,276	166,979
Total	**3,178,201,840**	**2,306,686,571**
Gross margin - amount		
Electricity	270,866,899	324,529,284
Lignite sales and shipping costs	105,425	2,642,943
Materials and other income	8,404	54,084
Generator	63,496	--
Total	**271,044,224**	**327,226,311**

(Amounts expressed in Turkish Lira unless otherwise stated.)

7. OTHER OPERATING INCOME AND EXPENSES

The details of the Group's other operating income, for the years ended on 31 December is as follows:

Other operating income	**1 January-31 December 2016**	**1 January-31 December 2015**
Financial income from credit sales	3,684,255	1,689,660
Insurance income (*)	3,246,245	1,183,235
Interest and discount income	2,327,420	--
Provisions no longer required	264,150	120,742
Other	3,283,306	339,036
Total	**12,805,376**	**3,332,673**

(*) The insurance income consist mainly of the insurance claim income amounting to TL 1,986,516 related to TRNC power plant.

The details of the Group's other operating expenses, for the years ended on 31 December is as follows:

Other operating expenses	**1 January-31 December 2016**	**1 January-31 December 2015**
Foreign exchange loss related to commercial activities	4,581,487	--
Financial expenses from credit sales	2,647,789	878,749
Bad debt provisions	449,234	5,777,784
Litigation provision expenses	196,235	--
Donations	170,817	1,053,746
Letter of guarantee expenses	--	216,867
Other	1,252,081	3,271,224
Total	**9,297,643**	**11,198,370**

8. GAIN AND LOSS FROM INVESTING ACTIVITIES

The details of the Group's gain from investing activities, for the years ended on 31 December is as follows:

Gain from investing activities	**1 January-31 December 2016**	**1 January-31 December 2015**
Loss on disposal of subsidiaries (Note 34)	3,546,364	--
Gain on disposal of property, plant and equipment	404,235	29,153,783
Total	**3,950,599**	**29,153,783**

The details of the Group's loss from investing activities, for the years ended on 31 December is as follows:

Loss from investing activities	**1 January-31 December 2016**	**1 January-31 December 2015**
Loss on disposal of property, plant and equipment (*)	72,132,780	552,742
Unrealized tender specification expenses	18,022,256	--
Total	**90,155,036**	**552,742**

(*) TL 58,259,209 of loss on disposal of property, plant and equipment is related to sale of Kozbükü power plant which contained within İdil İki Enerji.

(Amounts expressed in Turkish Lira unless otherwise stated.)

9. ADMINISTRATIVE EXPENSES

The details of the Group's administrative expenses, for the year ended on 31 December is as follows:

General administrative expenses	1 January- 31 December 2016	1 January- 31 December 2015
Personnel expenses	13,471,318	12,183,419
Consultancy expenses	3,795,879	2,771,825
Travelling, vehicle and transportation expenses	3,095,588	2,344,422
Depreciation and amortization expenses	1,862,689	774,657
Tax and duties	1,709,853	961,860
Rent expenses	1,556,441	1,358,750
Representation expenses	901,507	175,775
Technical consultancy expense	621,803	438,758
License and software maintenance expenses	533,826	176,167
Electricity, gas and water expenses	383,755	353,476
Stationary expenses	266,600	79,232
Exchange registration expenses	179,631	173,734
Communication expenses	112,822	104,519
Other	1,525,779	617,561
Total	**30,017,491**	**22,514,155**

10. MARKETING AND SELLING EXPENSES

The details of the Group's marketing and selling expenses, for the years ended on 31 December is as follows:

Marketing and selling expenses	1 January- 31 December 2016	1 January- 31 December 2015
Freight and export expenses	269,652	132,525
Marketing expenses	126,380	220,500
Other	443,464	194,413
Total	**839,496**	**547,438**

(Amounts expressed in Turkish Lira unless otherwise stated.)

11. FINANCIAL INCOME AND FINANCIAL EXPENSES

The details of the Group's financial income and expenses, for the years ended on 31 December is as follows:

Financial income	**1 January- 31 December 2016**	**1 January- 31 December 2015**
Foreign exchange gain, net	29,499,362	192,928,729
Interest and discount income	9,235,357	3,250,695
Interest and discount income from related parties (Note:33)	7,560,571	22,670,269
Income from derivative transactions	5,165,563	--
Other	--	5,365
Total	**51,460,853**	**218,855,058**

Financial expenses	**1 January- 31 December 2016**	**1 January- 31 December 2015**
Interest and discount expenses	300,410,119	151,810,022
Foreign exchange loss from borrowings, net	275,568,474	584,388,885
Interest expense on financial liabilities and loans to related parties (Note: 33)	37,634,119	31,722,061
Guarantee letters and bank commission expenses	11,550,377	1,060,886
Other	10,910,066	16,082
Total	**636,073,155**	**768,997,936**

12. 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% (2014: 20%) and advance tax returns are filed on a quarterly basis.

According to the new Corporate Tax Law, 75% (2014: 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.

12. TAXATION (continued)

Turkey (continued)

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.

Tax applications for foreign subsidiaries of the Group

Republic of Ghana

The applicable corporate tax rate in Republic of Ghana is 25% (31 December 2015: 25%).

Turkish Republic Of Northern Cyprus (“KKTC”)

The applicable corporate tax rate in KKTC is 23,5% (31 December 2015: 23,5%).

Netherlands

Corporate income tax is levied at the rate of 25% (31 December 2014: 25%) on the worldwide income of resident companies, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes for the year 2015. A unilateral decree for the avoidance of double taxation provides relief for resident companies from Dutch tax on income, such as foreign business profits derived through a permanent establishment abroad, if no tax treaty applies. There is an additional dividend tax of 5% computed only on the amounts of dividend distribution at the time of such payments.

(Amounts expressed in Turkish Lira unless otherwise stated.)

12. TAXATION (continued)

Netherlands (continued)

Under the Dutch taxation system, tax losses can be carried forward to be offset against future taxable income for nine years. Tax losses can be carried back to offset profits up to one year. Entities must file their tax returns within six months following the close of the tax year to which they relate, unless the company applies for an extension (normally an additional nine months). Tax returns are open for five years from the date of final assessment of the tax return 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 re-assessments based on their findings.

Republic Of Mauritius

The applicable corporate tax rate in Mauritius 15% (31 December 2015: 5%).

Tax recognised in profit or loss

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

	1 January- 31 December 2016	1 January- 31 December 2015
Current tax expense		
Current period tax expense	(15,498,190)	(6,638,086)
Deferred tax expense		
Origination and reversal of temporary differences	74,995,978	10,802,089
Total tax income	**59,497,788**	**4,164,003**

Corporate tax:

Corporate tax liabilities as at 31 December 2016 and 2015 as follows:

	31 December 2016	31 December 2015
Corporate tax provision as restated		
Add / (Less): prepaid corporation tax from previous period	15,498,189	6,638,085
Less: corporation taxes paid in advance during the period	(10,145.584)	(4,841,540)
Current tax liabilities, net	**5,352,605**	**1,796,545**

As at 31 December 2016, current tax liabilities on income amounting to TL 8,664,346 (31 December 2015: TL 6,801,785) is not offset with prepaid taxes amounting to TL 3,311,741 (31 December 2015: TL 5,005,240) since they are related to different tax jurisdictions.

(Amounts expressed in Turkish Lira unless otherwise stated.)

12. TAX EXPENSE (continued)

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:

	2016		2015	
	Amount	%	Amount	%
Reported loss before taxation	**(427,121,769)**		**(225,242,816)**	
Taxes on reported profit per statutory tax rate of the Company	85,424,354	(20.00)	45,048,563	(20.00)
Permanent differences:				
Disallowable expenses	(21,072,246)	4.93	(9,923,578)	4.41
Tax exempt income	27,091,371	(6.34)	33,793,634	(15.00)
Carry forward tax losses used	(6,268,188)	1.47	(16,851,136)	7.48
6736 numbered law effect (*)	(9,158,644)	2.14	--	--
Effect of different tax rates in foreign jurisdictions	(792,314)	0.19	(792,314)	0.35
Current-year losses for which no deferred tax asset is recognised	(2,957,065)	0.69	(2,957,065)	1.31
Derecognition of previously recognized statuary tax losses carried forward	(12,638,390)	2.96	(12,638,390)	5.61
Others, net	(131,090)	0.03	(31,515,711)	13.99
Tax income	**59,497,788**	**(13.93)**	**4,164,003**	**(1.85)**

(*) The Group applied the "Tax Amnesty Law" numbered 6736 which was approved by the Turkish Grand National Assembly on 3 August 2016 and published in the Official Gazette dated 19 August 2016 and numbered 29806 subsequent to the approval of President of Turkish Republic. As a result of the Tax Amnesty Law, the Group made a payment amounted to TL 185,820 in 2016. Additionally, if the tax payer makes a voluntary increase in its tax base and pays the additional taxes, 50% of the carry forward tax losses of the years for which the tax payer makes a voluntary increase cannot be used. In the scope of the law mentioned, the Group applied to increase in tax base voluntarily as Aksa Enerji for the years 2012, 2014 and 2015, Deniz Elektrik for the years 2011, 2012, 2013, 2014 and 2015, Baki Elektrik for the years 2011, 2012, 2013, 2014 and 2015 and Kapıdağ for the the years 2011, 2012, 2013, 2014 and 2015. After the increase in tax base, the Group paid the tax liability due to at 30 November 2016.

13. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as at 31 December 2016 and 2015 as follows:

	31 December 2016	31 December 2015
Property, plant and equipment	2,453,258,731	3,165,298,878
Mining assets	93,488,543	70,729,178
Total	**2,546,747,274**	**3,236,028,056**

(Amounts expressed in Turkish Lira unless otherwise stated.)

13. PROPERTY AND EQUIPMENT (continued)

The movements of property and equipment comprise fixed asset and mining assets and related accumulated depreciation for the year ended 31 December were as follows:

Cost	Land and buildings and land improvements	Machinery and equipment	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Balance at 1 January 2016 as previously reported	**75,499,507**	**3,421,419,565**	**2,314,206**	**13,471,058**	**500,832**	**459,479,743**	**3,972,684,911**
Effect of error	19,979,550	(34,079,503)	170,749	293,905	27	4,029,733	(9,605,539)
Balance at 1 January 2016 as restated	**95,479,057**	**3,387,340,062**	**2,484,955**	**13,764,963**	**500,859**	**463,509,476**	**3,963,079,372**
Effect of movements in exchange rates	2,328,639	64,828,358	360,049	74,794	--	52,447,251	120,039,091
Additions (*)	181,595	30,666,030	563,756	707,196	18,898	147,437,247	179,574,722
Disposals (**)	--	(1,575,486)	(264,209)	--	--	(284,048,972)	(285,888,667)
Transfer to asset held for sale (***)	(965,707)	(582,050,386)	--	(1,898,839)	(4,120)	(1,373,962)	(586,293,014)
Transfer to inventory (****)	--	(37,202,053)	--	(36,506)	--	--	(37,238,559)
Transfers (*****)	--	217,004	--	(146,898)	--	(8,170,256)	(8,100,150)
Disposal of subsidiaries	(148,115)	(70,112,178)	--	(61,545)	(271)	(14,783)	(70,336,892)
Balance at 31 December 2016	**96,875,469**	**2,792,111,351**	**3,144,551**	**12,403,165**	**515,366**	**369,786,001**	**3,274,835,903**
Accumulated depreciation							
Balance at 1 January 2016 as previously reported	**3,915,806**	**810,061,015**	**1,510,025**	**7,798,340**	**201,062**	**--**	**823,486,248**
Effect of error	(122,497)	(25,890,451)	125,468	184,375	(2,649)	--	(25,705,704)
Balance at 1 January 2016 as restated	**3,793,309**	**784,170,564**	**1,635,493**	**7,982,715**	**198,413**	**--**	**797,780,544**
Depreciation for the period	2,748,652	182,911,520	276,902	1,242,372	29,522	--	187,208,968
Effect of movements in exchange rates	937,028	38,041,476	82,786	93,652	--	--	39,154,892
Transfer to asset held for sale (***)	(372,771)	(166,657,047)	(1,207,163)	(3,582)	--	--	(168,240,563)
Transfer to inventory (****)	--	(22,938,587)	--	(146,898)	--	--	(23,085,485)
Transfers (*****)	--	(3,576,912)	--	--	--	--	(3,576,912)
Disposals	--	(840,348)	(213,843)	--	--	--	(1,054,191)
Disposal of subsidiaries	(20,278)	(6,569,704)	--	(20,031)	(68)	--	(6,610,081)
Balance at 31 December 2016	**7,085,940**	**804,539,962**	**574,175**	**9,148,228**	**227,867**	**--**	**821,577,172**
Carrying amount as of 31 December 2016	**89,789,529**	**1,987,571,389**	**2,570,376**	**3,254,937**	**287,499**	**369,786,001**	**2,453,258,731**

(*)As of 31 December 2016 total cost of borrowing capitalised on property, plant and equipment is TL 26,995,465. (31 December 2015: TL 63,832,186)
(**) The disposals of 2016 are mainly due to sale of Kozbükü power plant which have been sold to Nas Enerji A.Ş. at 26 December 2016 amounting to USD 89,440,905 subsequent to the accomplish of the contruction.
(***)Property, plant and equipments of Ayres Ayvacık Rüzgar, Baki Elektrik, Deniz Elektrik and Kapıdağ Rüzgar Enerjisi and Belen/Atik wind power plant which is contained within Aksa Enerji are classified as "Asset held for sale".
(****) Consist of transferred amount of inventory amount of power plants which are removed with the intention of transfer to Ghana.
(*****)The power plant TL 38,289,967 (TL 41,127,502 cost and TL 3,576,912 accumulated depreciation) is transferred from machinery and equipment to construction in progress in Aksa Enerji. In Göynük power plant, ready to use construction amounting TL 45,720,946 is transferred from construction in progress to rights and machinery and equipment accordingly TL 4,376,340 and TL 41,344,506.

(Amounts expressed in Turkish Lira unless otherwise stated.)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Cost	Land and buildings and land improvements	Machinery and equipment	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Balance at 1 January 2015 as previously reported	**36,904,261**	**2,508,457,978**	**2,732,305**	**12,158,862**	**484,582**	**922,029,030**	**3,482,767,018**
Effect of error	18,251,627	(35,266,667)	111,243	152,725	--	--	(16,751,072)
Balance at 1 January 2015 as restated	**55,155,888**	**2,473,191,311**	**2,843,548**	**12,311,587**	**484,582**	**922,029,030**	**3,466,015,946**
Effect of movements in exchange rates	(11,905)	(714)	(17,376)	140,475	--	--	110,480
Additions	3,030,868	63,607,590	448,278	1,407,683	17,278	437,180,385	505,692,082
Disposals	(3,107,034)	(4,490,120)	(789,495)	(94,782)	(1,001)	(256,704)	(8,739,136)
Transfer	40,411,240	855,031,995	--	--	--	(895,443,235)	--
Balance at 31 December 2015	**95,479,057**	**3,387,340,062**	**2,484,955**	**13,764,963**	**500,859**	**463,509,476**	**3,963,079,372**
Accumulated depreciation							
Balance at 1 January 2015 as previously reported	**3,260,942**	**668,718,521**	**2,071,311**	**6,714,364**	**170,357**	**--**	**680,935,495**
Effect of error	904,885	15,460,483	109,313	79,692	--	--	16,554,373
Balance at 1 January 2015 as restated	**4,165,827**	**684,179,004**	**2,180,624**	**6,794,056**	**170,357**	**--**	**697,489,868**
Depreciation for the period	659,289	142,531,736	227,209	1,109,454	31,682	--	144,559,370
Effect of movements in exchange rates	(1,030,571)	(41,086,527)	17,155	104,683	(2,649)	--	(41,997,909)
Disposals	(1,236)	(1,453,649)	(789,495)	(25,478)	(977)	--	(2,270,835)
Balance at 31 December 2015	**3,793,309**	**784,170,564**	**1,635,493**	**7,982,715**	**198,413**	**--**	**797,780,494**
Carrying amount as of 31 December 2015	**91,685,748**	**2,603,169,498**	**849,462**	**5,782,248**	**302,446**	**463,509,476**	**3,165,298,878**

(Amounts expressed in Turkish Lira unless otherwise stated.)

13. PROPERTY, PLANT AND EQUIPMENT (continued)

Construction in progress

At 31 December 2016 and 2015, construction in progress represents, stationary export and import warehouse.

Project	31 December 2016	Technical completion rate (%)	31 December 2015	Technical completion rate (%)
Kozbükü – Hydroelectric power plant (*)	--	--	205,467,608	97%
Bolu Göynük power plant investment	19,015,117	100%	122,709,875	100%
Ghana investment	289,933,213	94%	102,021,402	28%
Kıbrıs Kalecik – Mobile power plant investment	6,952,044	99%	6,781,525	99%
Other (**)	53,885,627		26,529,066	
Total	**369,786,001**		**463,509,476**	

(*) Kozbükü power plant has been sold to Nas Enerji A.Ş. amounting to USD 89,440,905 with the approval of Energy Market Regulatory Authority, Ministry of Economy and Turkish Competition Authority.

(**) This balance comprises investments in licence period and capacity increase of current power plants.

Mining assets

At 31 December 2016 and 2015, mining assets comprise mining development assets and stripping cost.

Cost:	**31 December 2016**	**31 December 2015**
Stripping costs	93,884,938	67,843,827
Mining development assets	5,477,772	5,477,773
Total	**99,362,710**	**73,321,600**
Amortisation:		
Stripping costs	5,641,834	2,360,089
Mining development assets	232,333	232,333
Total	**5,874,167**	**2,592,422**
Carrying amount	**93,488,543**	**70,729,178**
Current year depreciation expense	3,281,795	1,650,963
Total	**3,281,795**	**1,650,963**

(Amounts expressed in Turkish Lira unless otherwise stated.)

14. INTANGIBLE ASSETS

The movements in intangible assets and related accumulated amortisation during the year ended 31 December were as follows:

Cost	**Rights**	**Other**	**Total**
Balance at 1 January 2016 as previously reported	**4,118,891**	**888,685**	**5,007,576**
Effect of error	22,560	--	22,560
Balance at 1 January 2016 as restated	**4,141,451**	**888,685**	**5,030,136**
Additions	46,636,586	80,410	46,716,996
Effect of movements in exchange rates	7,565,459	--	7,565,459
Transfer to assets held for sale	(534,082)	(52,440)	(586,522)
Transfer	4,376,340	--	4,376,340
Disposal of subsidiary	(30,500)	--	(30,500)
Balance at 31 December 2016	**62,155,254**	**916,655**	**63,071,909**
Amortisation			
Balance at 1 January 2016 as previously reported	**1,057,477**	**517,297**	**1,574,774**
Effect of error	168,346	(145,786)	22,560
Balance at 1 January 2016 as restated	**1,225,823**	**371,511**	**1,597,334**
Amortisation for the period	544,757	136,593	681,350
Effect of movements in exchange rates	7,199	--	7,199
Transfer to assets held for sale	(188,728)	--	(188,728)
Disposal of subsidiary	(3,840)	--	(3,840)
Balance at 31 December 2016	**1,585,211**	**508,104**	**2,093,315**
Carrying amount as of 31 December 2016	**60,570,043**	**408,551**	**60,978,594**

Cost			
Balance at 1 January 2015	**3,267,954**	**594,950**	**3,862,904**
Additions	837,247	293,735	1,130,982
Effect of movements in exchange rates	36,250	--	36,250
Disposals	--	--	--
Balance at 31 December 2015	**4,141,451**	**888,685**	**5,030,136**
Amortisation			
Balance at 1 January 2015	**877,769**	**319,382**	**1,197,151**
Amortisation for the period	185,063	197,915	382,978
Effect of movements in exchange rates	17,205	--	17,205
Disposals	--	--	--
Balance at 31 December 2015	**1,080,037**	**517,297**	**1,597,334**
Carrying amount as of 31 December 2015	**3,061,414**	**371,388**	**3,432,802**

(Amounts expressed in Turkish Lira unless otherwise stated.)

15. GOODWILL

At 31 December 2016 and 2015, goodwill comprised the following:

	31 December 2016	31 December 2015
Goodwill	6,848,196	6,848,196
-İdil İki Enerji	*3,349,356*	*3,349,356*
-Ayres Ayvacık Rüzgar	*3,498,840*	*3,498,840*
Total	**6,848,196**	**6,848,196**

16. FINANCIAL INVESTMENTS

Financial investments

At 31 December 2016 and 2015, financial investments comprised the following:

	Rate %	31 December 2016	31 December 2015
Enerji Piyasaları İşletme A.Ş. (*)	0.67	412,408	412,408
		412,408	**412,408**

(*) The Group invest to Enerji Piyasaları İşletme A.Ş. (EXIST) and obtained 412,408 number of Group C share on 20 November 2014

17. 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 2016, deferred tax assets amounting to TL 12,638,390 have not been recognised with respect to the statutory tax losses carried forward amounting to TL 63,191,949. Such losses carried forward expire until 2022. 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.

For calculation of deferred tax assets and liabilities, the applicable tax rate is 20% for the Company and subsidiaries in Turkey, the rate of 25% for the subsidiary in Ghana for the current and comparative periods.

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

	2016
2016	57,754,247
2017	--
2018	5,437,701
2019	--
2020	--
	63,191,948

(Amounts expressed in Turkish Lira unless otherwise stated.)

17. DEFERRED TAX ASSETS AND LIABILITIES (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:

	31 December 2016	31 December 2015
	Asset / (Liability)	Asset / (Liability)
Property and equipment and intangible assets	(2,765,431)	(42,090,853)
Provision to doubtful receivables	5,384,955	4,747,479
Inventory impairment loss	1,964,682	2,912,138
Derivatives	(1,301,038)	1,441,447
Loans and borrowings	390,996	(230,282)
Reserve for employee severance indemnity	685,195	901,075
Bonds issued	429,145	425,820
Litigation provisions	90,661	--
Vacation pay liability	388,844	--
Other asset	587,040	--
Impact of error	--	(8,383,770)
Losses carried forward	58,619,557	56,779,540
Consolidation adjustments	28,626,246	--
Other	(2,154,741)	2,086,534
Net deferred tax assets	**90,946,111**	**18,589,128**
Deferred tax asset	143,133,739	63,167,570
Deferred tax liability	52,187,628	44,578,442
Net deferred tax assets	**90,946,111**	**18,589,128**

Recognised deferred tax assets and liabilities

Movements in deferred tax balances during the years 2016 and 2015 are as follows::

	1 January 2016	*Effects of translation*	*Recognised in profit or loss*	*Recognised in other comprehensive income*	*31 December 2016*
Total deferred tax assets/(liabilities)	**18,589,128**	(658,383)	74,995,978	(1.980.612)	**90,946,111**

	1 January 2015	*Effects of translation*	*Recognised in profit or loss*	*Recognised in other comprehensive income*	*31 December 2015*
Total deferred tax assets/(liabilities)	**18,555,542**	(11,112,634)	10,802,089	1.536.025	**18,589,128**

(Amounts expressed in Turkish Lira unless otherwise stated.)

18. INVENTORIES

At 31 December 2016 and 2015, inventories comprised the following:

	31 December 2016	31 December 2015
Other spare parts and operating supplies inventory	255,002,524	93,758,678
Raw materials	102,737,428	186,122,671
Advances given for raw materials and supplies	48,394,631	30,299,929
Work-in-progress	22,559,114	41,144,248
Finished goods	--	775,517
Trade goods	298,603	84,825
Provision for impairment on inventories (-)	(12,551,286)	(12,389,160)
Total	**416,441,014**	**339,796,708**

19. OTHER CURRENT ASSETS

At 31 December 2016 and 2015, other current assets comprised the following:

	31 December 2016	31 December 2015
Deferred value added tax (“VAT”)	93,749,062	134,329,234
Other	531,889	4,358,585
Total	**94,280,951**	**138,687,819**

20. LONG AND SHORT TERM PREPAYMENTS

At 31 December 2016 and 2015, short term prepayments comprised the following:

	31 December 2016	31 December 2015
Prepaid insurance expenses	4,315,929	3,705,970
Prepaid loan insurance expenses	--	15,928,150
Other	2,919,985	1,442,131
Total	**7,235,914**	**21,076,251**

At 31 December 2016 and 2015, long term prepayments comprised the following:

	31 December 2016	31 December 2015
Advances given for tangible assets	1,347,580	45,143,546
Prepaid loan insurance expenses	--	54,703,266
Other prepaid expenses	119,635	11,338
Total	**1,467,215**	**99,858,150**

(Amounts expressed in Turkish Lira unless otherwise stated.)

21. TRADE AND OTHER RECEIVABLES AND PAYABLES

At 31 December 2016 and 2015, trade receivables to third parties comprised the following:

	31 December 2016	31 December 2015
Trade receivables	222,049,699	120,598,307
Doubtful receivables	25,744,460	25,637,972
Allowance for doubtful receivables (-)	(25,744,460)	(25,637,972)
Unearned credit finance charges (-)	(2,931,279)	(1,417,184)
Income accruals	175,779	--
Other receivables	402,747	601,276
Total	**219,696,946**	**119,782,399**

The exposure to credit and market risks and impairment losses related to trade and other receivables are disclosed in Note 32.

At 31 December 2016 and 2015, trade and other payables to third parties comprised the following:

	31 December 2016	31 December 2015
Trade and other payables to third parties	292,858,336	280,933,116
Expense accruals	4,030,575	--
Unearned credit finance charges (-)	(2,527,057)	(488,057)
Total	**294,361,854**	**280,445,059**

The exposure to credit and liquidity related to trade and other payables are disclosed in Note 32.

At 31 December 2016 and 2015, long term trade and other receivables comprised the following:

Trade and other receivables	31 December 2016	31 December 2015
Deposits given	20,170,031	2,484,450
Total	**20,170,031**	**2,484,450**

22. CASH AND CASH EQUIVALENTS

At 31 December 2016 and 2015, cash and cash equivalents comprised the following:

	31 December 2016	31 December 2015
Cash on hand	404,486	63,861
Cash at banks	218,960,369	48,388,555
- Demand deposits	20,450,147	10,422,257
- Time deposits	5,091,722	20,518,378
- Blocked cash (*)	193,418,500	17,447,920
Total	**219,364,855**	**48,452,416**
Restricted cash amount	**(193,418,500)**	**(17,447,920)**
Cash and cash equivalents classified as asset-held-for-sale	15,662,073	--
Cash and cash equivalents on cash flows	41,608,428	31,004,496

(*) Restricted cash amount is related to sale of Kozbükü power plant held by İdil İki Enerji. The portion of the received consideration for the sale of Kozbükü power plant amounting to USD 55.000.000 is held by the bank providing the investment loan to the Group as restricted cash in the Group's accounts. The Group repaid the outstanding bank loan on 27 January 2017.

The exposure to credit and liquidity related to cash and cash equivalents are disclosed in Note 32.

(Amounts expressed in Turkish Lira unless otherwise stated.)

23. CAPITAL AND RESERVES

At 31 December 2016 and 2015, the shareholding structure of the Company was as follows:

	31 December 2016		31 December 2015	
Shareholders	**(%)**	**Amount**	**(%)**	**Amount**
Kazancı Holding	61.98	380,064,978	61.98	380,064,978
Goldman Sachs International	16.62	101,911,765	16.62	101,911,765
Public share	21.39	131,158,000	21.39	131,158,000
Other	0.01	34,375	0.01	34,375
Inflation adjustment to share capital		1,987,932		1,987,932
Paid in capital in TL (nominal)	**100.00**	**615,157,050**	**100.00**	**615,157,050**

	31 December 2016		31 December 2015	
Group	**(%)**	**Amount**	**(%)**	**Amount**
A Group (Registered share)	47.93	293,896,220	47.93	293,896,220
B Group (Bearer share)	52.07	319,272,898	52.07	319,272,898
Inflation adjustment to share capital		1,987,932		1,987,932
Paid in capital	**100.00**	**615,157,050**	**100.00**	**615,157,050**

TL 131,158,000 of bearer B group share are traded in Borsa İstanbul A.Ş.

Kazancı Holding, being the parent company of Aksa Enerji, has secured 500 million USD long term credit facility arranged by Goldman Sachs, China Development Bank, Garanti Bankası and İş Bankası. 68.86% of issued capital of Aksa Enerji are pledged as security of the credit facility to Garanti Bankası acting as security agent.

On the date of 02.08.2016, a new loan agreement with a total of US $ 800 million was signed between Kazancı Holding A.Ş. And Aksa partnership Co. and with the Bank's consortium under the leadership of Türkiye Garanti Bankası A.Ş. And Türkiye İş Bankası, with the participation of T.C. Ziraat Bankası A.Ş., Türkiye Halk Bankası A.Ş., Türkiye Vakıflar Bankası T.A.O., Odea Bank A.Ş. and Türkiye Sınai Kalkınma Bankası A.Ş. With this created financing, all of the old loan mentioned above was repaid and the shares of Aksa Enerji in the property owned by Kazancı Holding liberalized. In addition to these liberalized shares belonging to the Kazancı Holding, representing %61.98 capital shares of Aksa Energy which is owned by Kazancı Holding and is 9.74% shares of Kazancı Holding, was pledged to be a guarantee for the new loan, to the Guarantee Representative Türkiye İş Bankası AŞ by Kazancı Holding.

Legal reserves

According to the Turkish Commercial Code ("TCC"), legal reserves are comprised of first and second legal reserves.

The first legal reserves are generated by annual appropriations amounting to 5 percent of income disclosed in the

Company's statutory accounts until it reaches 20% of paid-in share capital. If the dividend distribution is made in accordance with Dividend Distribution Communiqué II-19.1, a further 1/10 of dividend distributions, in excess of 5% of paid-in capital is to be appropriated to increase second legal reserves. If the dividend distribution is made in accordance with statutory records, a further 1/11 of dividend distributions, in excess of 5% of paid-in capitals are to be appropriated to increase second legal reserves. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50 percent of paid-in capital. At 31 December 2016, legal reserves of the Group amounted to TL 44,342,753 (31 December 2015: TL 42,114,653).

Share premium

Share premium represents differences resulting from the sale of the Company's subsidiaries' and associates' shares at a price exceeding the face value of those shares or differences between the face value and the fair value of shares issued for acquired companies.

Actuarial gain/loss:

Actuarial gain/loss reserves comprises actuarial gains and losses recognised in other comprehensive income based on IAS (2011).

(Amounts expressed in Turkish Lira unless otherwise stated.)

23. CAPITAL AND RESERVES (continued)

Cash flow hedge reserve

The hedging reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedging instruments related to hedged transactions that have not yet occurred, net of tax.

Translation reserve

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign and domestic operations from their functional currencies to presentation currency of TL.

Dividend distribution

Publicly held companies distribute dividends based on the Capital Market Board ("CMB") Dividend Communique numbered II-19.1 effective from 1 February 2014.

Companies distribute their profits in accordance with their dividend policy determined by the General Assembly and with General Assembly resolution in accordance with provisions of the relevant legislation.

Non-controlling interests

Equity in a subsidiary that is not attributable, directly or indirectly, to a parent is classified under the "Non-controlling interests" in the consolidated financial statements.

As at 31 December 2016 and 2015 the related amounts in the "Non-controlling interests" in the consolidated statement of financial position are respectively TL 2,237,947 liability and TL 2,720,442 liability. In addition, net profit or loss in a subsidiary that is not attributable, directly or indirectly, to a parent is also classified under the "Non-controlling interests" in the consolidated financial statements.

24. EARNINGS PER SHARE

The calculation of basic and diluted EPS at 31 December 2016 and 2015 is as follows:

	1 January- 31 December 2016	1 January- 31 December 2015
Numerator:		
Loss for the period attributable to equity holders	(368,010,433)	(219,280,404)
Weighted average number of shares	615,157,050	615,157,050
Basic and diluted loss per share (full TL)	(0.600)	(0.358)

(Amounts expressed in Turkish Lira unless otherwise stated.)

25. LOANS AND BORROWINGS

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost. For more information about the Group's exposure to interest rate, foreign currency and liquidity risks, see Note 32.

	31 December 2016	31 December 2015
Current liabilities		
Short term bank loans	377,122,889	278,509,816
Current portion of bank loans	658,708,167	576,151,545
Finance lease liabilities	18,696,630	30,115,047
Total	**1,054,527,686**	**884,776,408**
Non-current liabilities		
Long term bank loans	1,296,240,646	1,525,054,345
Finance lease liabilities	70,501,322	139,186,707
Total	**1,366,741,968**	**1,664,241,052**
Total loans and borrowings	**2,421,269,654**	**2,549,017,460**

The Group's total bank loans and finance lease liabilities as at 31 December 2016 and 2015 are as follows:

	31 December 2016	31 December 2015
Bank loans	2,332,071,702	2,379,715,706
Finance lease liabilities	89,197,952	169,301,754
	2,421,269,654	**2,549,017,460**

Redemption schedules of the Group's bank loans according to original maturities as at 31 December 2016 are as follows:

31 December 2016			
Maturity	**Currency**	**Amount**	**TL Amount**
0-12 months	USD	84,381,738	296,956,211
	EUR	14,763,984	54,772,903
	TL	684,101,942	684,101,942
1-2 year	USD	46,839,672	164,838,174
	EUR	13,203,152	48,982,373
	TL	210,519,783	210,519,783
2-3 year	USD	44,446,723	156,416,907
	EUR	9,894,615	36,708,033
	TL	22,849,844	22,849,844
3-4 year	USD	35,625,416	125,372,963
	EUR	3,338,969	12,387,242
4-5 year	USD	30,689,744	108,003,346
	EUR	1,431,137	5,309,374
5 year and more	USD	114,959,159	404,564,272
	EUR	77,720	288,335
Total			**2,332,071,702**

(Amounts expressed in Turkish Lira unless otherwise stated.)

25. LOANS AND BORROWINGS (continued)

Redemption schedules of the Group's bank loans according to original maturities as at 31 December 2015 are as follows:

		31 December 2015	
Maturity	**Currency**	**Amount**	**TL Amount**
0-12 months	USD	129,371,079	376,159,350
	EUR	22,758,204	72,316,470
	TL	406,185,541	406,185,541
1-2 year	USD	77,704,556	225,933,778
	EUR	20,423,847	64,898,816
	TL	194,700,030	194,700,030
2-3 year	USD	63,490,422	184,604,749
	EUR	18,154,872	57,688,922
	TL	59,673,053	59,673,053
3-4 year	USD	56,340,944	163,816,928
	EUR	14,075,570	44,726,532
4-5 year	USD	42,296,673	122,981,807
	EUR	7,082,129	22,504,174
5 year and more	USD	117,250,255	340,916,842
	EUR	13,409,087	42,608,714
Total			**2,379,715,706**

(Amounts expressed in Turkish Lira unless otherwise stated.)

25. LOANS AND BORROWINGS (continued)

Terms and debt repayment schedule

The breakdown of bank loans as at 31 December 2016 is as follows:

Original Currency	Nominal Interest rate %	Face Value	Carrying Amount
TL	%11.50-3MTRL Libor+7.00	896,697,359	917,471,569
USD	Libor +0.15 – %6.75	1,330,608,354	1,256,151,873
EUR	Euribor +1.80 –Euribor +3.50	257,761,685	158,448,260
Total			**2,332,071,702**

As at 31 December 2016, The Group's expense accrual charge is TL 29,513,394.

The breakdown of bank loans as at 31 December 2015 is as follows:

Original Currency	Nominal Interest rate %	Face Value	Carrying Amount
TL	%12.99-16.49	630,188,251	660,558,634
USD	Libor +0.15 – Libor+6.75	1,349,383,219	1,414,413,446
EUR	Euribor +0.80 –Euribor +3.50	290,732,484	304,743,626
Total			**2,379,715,706**

The breakdown of financial liabilities as at 31 December 2016 is as follows:

	31 December 2016		
Maturity	**Currency**	**Amount**	**TL Amount**
0-12 Months	EUR	5,039,659	18,696,631
1-2 Year	EUR	4,275,230	15,860,676
2-3 Year	EUR	3,265,769	12,115,676
3-4 Year	EUR	2,901,102	10,762,800
4-5 Year	EUR	2,819,899	10,461,544
5 Year and more	EUR	5,741,563	21,300,625
Total			**89,197,952**

(Amounts expressed in Turkish Lira unless otherwise stated.)

25. LOANS AND BORROWINGS (continued)

The breakdown of financial liabilities as at 31 December 2015 is as follows:

31 December 2015			
Maturity	**Currency**	**Amount**	**TL Amount**
0-12 Months	USD	3,295,326	9,581,490
	EUR	6,461,971	20,533,558
1-2 Year	EUR	4,783,235	15,199,208
2-3 Year	USD	2,231,869	6,489,382
	EUR	4,025,175	12,790,396
3-4 Year	USD	5,118,040	14,881,213
	EUR	3,046,939	9,681,953
4-5 Year	USD	3,073,464	8,936,404
	EUR	2,852,896	9,065,362
5 Year and more	USD	12,992,320	37,776,469
	EUR	7,668,152	24,366,319
Total			**169,301,754**

26. OTHER FINANCIAL LIABILITIES

Other short term financial liabilities

At 31 December 2016 and 2015, other short term financial liabilities comprised the following:

Other short term financial liabilities	**31 December 2016**	**31 December 2015**
Factoring liabilities	127,736,250	53,220,162
Bond issued	163,062,228	--
Other financial liabilities	5,502	--
Total	**290,803,980**	**53,220,162**

Other long term financial liabilities

At 31 December 2016 and 2015, other long term financial liabilities comprised the following:

Other long term financial liabilities	**31 December 2016**	**31 December 2015**
Factoring liabilities	77,228,969	50,990,043
Bond issued	174,083,496	137,129,101
Total	**251,312,465**	**188,119,144**

The Company has bond issuance at a nominal amount of TL 135,000,000, to be quarterly paid within 2 years maturity bond based on 3.5300% coupon rate on 18 November 2015. The maturity date of restated bonds is on 15 November 2017.

The Company has bond issuance at a nominal amount of TL 60,000,000, to be quarterly paid within 2 years maturity bond based on 3.3763 % coupon rate on 8 June 2016. The maturity date of restated bonds is on 28 June 2018.

The Company has bond issuance at a nominal amount of TL 140,000,000, to be quarterly paid within 3 years maturity bond based on 3.6795% coupon rate on 28 June 2016. The maturity date of restated bonds is on 26 June 2019.

(Amounts expressed in Turkish Lira unless otherwise stated.)

26. OTHER FINANCIAL LIABILITIES (continued)

Other long term financial liabilities (continued)

The breakdown of factoring as at 31 December 2016 and 2015 is as follows:

31 December 2016		
Maturity	**Currency**	**TL Amount**
Less than 1 year	TL	127,736,250
1-2 years	TL	63,026,631
2-3 years	TL	14,202,338
Total		**204,965,219**

31 December 2015		
Maturity	**Currency**	**TL Amount**
Less than 1 year	TL	50,458,739
Less than 1 year	USD	2,761,423
1-2 years	TL	34,762,076
2-3 years	TL	16,227,967
Total		**104,210,205**

The breakdown of bond issues as at 31 December 2016 and 2015 is as follows:

31 December 2016		
Maturity	**Currency**	**TL Amount**
Less than 1 year	TL	163,062,228
1-2 Year	TL	67,754,857
2-3 Year	TL	106,328,639
Total		**337,145,724**

31 December 2015		
Maturity	**Currency**	**TL Amount**
1-2 Year	TL	17,779,146
2-3 Year	TL	119,349,955
Total		**137,129,101**

(Amounts expressed in Turkish Lira unless otherwise stated.)

27. EMPLOYEE BENEFITS

Under the Turkish Labour Law, Aksa Enerji and its subsidiaries in Turkey are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to the length of service prior to retirement.

Such payments are calculated on the basis of 30 days' pay maximum full TL 4,297 as at 31 December 2016 (31 December 2015: full TL 3,828) per year of employment at the rate of pay applicable at the date of retirement or termination. Reserve for retirement pay is computed and reflected in the financial statements on a current basis. The reserve has been calculated by estimating the present value of future probable obligation of Group from the retirement of the employees. The calculation was based upon the retirement pay ceiling announced by the Government.

International Accounting Standard No. 19 ("IAS 19") "*Employee Benefits*" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions are used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying consolidated financial statements as at 31 December 2016, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provision at 31 December 2016 has been calculated assuming an annual inflation rate of 6.50% and a discount rate of 10.50% resulting in a real discount rate of approximately 3.76% (31 December 2015: annual inflation rate of 6.50% and a discount rate of 10.50% resulting in a real discount rate of approximately 3.76%). It is planned that retirement rights will be paid to employees at the end of concession periods. Accordingly, present value of the future probable obligation has been calculated based on the concession periods.

The amount of the reserve for employee severance indemnity during the as at and for the year ended 31 December was as follows:

	2016	2015
Balance at 1 January	4,385,783	5,208,671
Interest cost	1,318,584	122,314
Service cost	394,275	1,764,419
Payment made during the period	(1,315,962)	(1,981,207)
Transfer to liabilities held for sale	(526,877)	--
Actuarial difference	(1,356,704)	(728,414)
Balance at 31 December	**2,899,099**	**4,385,783**

(Amounts expressed in Turkish Lira unless otherwise stated.)

28. OTHER CURRENT LIABILITIES

At 31 December 2016 and 2015, other current liabilities comprised the following:

	31 December 2016	31 December 2015
Due to personnel	3,026,921	2,754,961
Social security withholdings payable	1,834,245	1,010,473
Advances received	1,907,905	4,867
Total	**6,769,071**	**3,770,301**

29. PROVISIONS

At 31 December 2016 and 2015, provisions comprised the following:

	Lawsuits	Vacation pay liability	Other provisions	Total
Balance as of 1 January 2016	592,178	--	398,138	990,316
Provision set during the period	87,357	1,777,690	--	1,865,047
Provision used	(422,464)	--	(398,138)	(820,602)
Balance as of 31 December 2016	**257,071**	**1,777,690**	**--**	**2,034,761**
Balance as of 1 January 2015	592,178	--	398,138	990,316
Balance as of 31 December 2015	**592,178**	**--**	**398,138**	**990,316**

30. DERIVATIVE FINANCIAL INSTRUMENTS

At 31 December 2016 and 2015, derivative financial instruments comprised the following:

	31 December 2016		31 December 2015	
	Carrying Value		Carrying Value	
Derivative financial instruments	**Asset**	**Liability**	**Asset**	**Liability**
Held for trading	5,165,563	--	36,357	--
Cash flow hedges	1,339,627	--	--	(7,207,234)
Total	**6,505,190**	--	**36,357**	**(7,207,234)**

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 32.

(Amounts expressed in Turkish Lira unless otherwise stated.)

31. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS

Collateral / Pledge / Mortgage ("CPM")

As of 31 December 2016 and 2015, the Group's collateral, pledge and mortgage (CPM) position is disclosed as follows:

	31 December 2016	31 December 2015
A. CPM given for companies own legal personality	2,156,051,163	1,642,533,969
B. CPM given in behalf of fully consolidated companies	2,402,618,776	774,030,570
C. CPM given for continuation of its economic activities on behalf of third parties	--	--
D. Total amount of other CPM's	--	--
i. Total amount of CPM's given on behalf of majority shareholder	--	--
ii. Total amount of CPM's given on behalf of other Group companies which are not in scope of B and C	--	--
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	--	--
Total CPM	**4,558,669,939**	**2,416,564,539**

Letters of guarantees given to:

31 December 2016	TL	USD	EUR	CHF	TL Equivalent
Banks	--	5,410,903	16,894,604	--	81,719,343
Botaş–Petroleum Pipeline Corporation	--	11,084,184	--	--	39,007,460
Electricity distribution companies	1,682,487	--	--	--	1,682,487
Republic of Turkey Energy Market Regulatory Authority	29,831,720	--	--	--	29,831,720
Ministry of Custom and Trade	--	--	1,250,000	--	4,637,375
Enforcement offices	874,423	--	--	--	874,423
Special provincial administration	39,646	--	--	--	39,646
Electricity Authority of TRNC	--	3,000,000	--	--	10,577,077
Turkey Electricity Distribution Company (TEDAS)	15,526,862	--	--	--	15,526,862
Turkey Electricity Transmission Company (TEIAS)	30,142,738	3,395,119	--	--	42,461,832
Other	63,772,709	50,000	78	800,000	73,020,065
Total	**141,870,585**	**22,940,206**	**18,144,682**	**800,000**	**299,378,290**

(Amounts expressed in Turkish Lira unless otherwise stated.)

31. COMMITMENTS, CONTINGENCIES AND CONTRACTUAL OBLIGATIONS (continued)

31 December 2015	TL	USD	EUR	TL Equivalent
Banks	--	6,693,163	21,149,444	86,665,515
Botaş–Petroleum Pipeline Corporation	--	8,443,184	--	24,549,402
Electricity distribution companies	1,682,487	--	--	1,682,487
Energy Market Regulatory Authority (EMRA)	85,229,800	--	--	85,229,800
Ministry of Custom and Trade	--	--	1,250,000	3,972,000
Enforcement offices	796,029	--	--	796,029
Special provincial administration	39,646	--	--	39,646
Electricity Authority of TRNC	--	3,000,000	--	8,722,800
Turkey Electricity Distribution Company (TEDAS)	26,862	--	--	26,862
Turkey Electricity Transmission Company (TEIAS)	12,920,187	2,676,518	40,000	20,829,535
Turkey Electricity Generation Company (EUAS)	--	718,601	--	2,089,405
Other	31,168,525	--	--	31,168,525
Total	**131,863,536**	**21,531,466**	**42,338,888**	**265,772,006**

Guarantees received

At 31 December 2016 and 2015, the details of guarantees received is as follows:

Type of guarantees	TL	USD	EUR	31 December 2016 TL Equivalent
Letter of guarantee	194,888,160	2,272,750	3,850,000	217,169,537
Notes taken for colleterals	26,668,303	1,050,574	935,112	33,834,655
Cheques taken for colleterals	12,196,533	28,000	3,546,000	25,450,376
Mortgage	700,000	--	--	700,000
Total	**234,452,996**	**3,351,324**	**8,331,112**	**277,154,568**

Type of guarantees	TL	USD	EUR	31 December 2015 TL Equivalent
Letter of guarantee	32,869,555	1,657,272	4,481,115	39,007,942
Notes	27,055,204	1,050,574	935,112	29,040,890
Cheques	4,712,533	28,000	3,546,000	8,826,533
Pledges	700,000	--	--	700,000
Total	**65,337,292**	**2,735,846**	**8,962,227**	**77,537,365**

(Amounts expressed in Turkish Lira unless otherwise stated.)

32. FINANCIAL INSTRUMENTS

Credit Risk

Impairment losses

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at 31 December 2016 and 2015 is:

31 December 2016	Receivables				Deposits at banks
	Trade receivables		Other receivables		
	Related Parties	Other	Related Parties	Other	
Maximum credit risk exposed to as at 31 December 2016 (A+B+C+D+E)	51,191,182	219,294,198	8,746,570	23,308,840	218,960,369
A. Carrying amount of financial assets not overdue or not impaired	51,191,182	219,294,198	--	23,308,840	218,960,369
B. Carrying amount of financial assets with rediscussed conditions that are considered overdue or impaired if not rediscussed	--	--	--	--	--
C. Carrying amount of financial assets overdue but not impaired	--	--	8,746,570	--	--
D. Carrying amount of assets impaired	--	--	--	--	--
- Overdue (gross book value)	3,410,559	17,649,201	--	8,095,259	--
- Impairment (-)	(3,410,559)	(17,649,201)	--	(8,095,259)	--
E. Off balance sheet items with credit risk	--	--	--	--	--

31 December 2015	Receivables				Deposits at banks
	Trade Receivables		Other Receivables		
	Related Parties	Other	Related Parties	Other	
Maximum credit risk exposed to as at 31 December 2015 (A+B+C+D+E)	63,440,035	119,181,123	3,905,469	3,085,726	48,388,555
A. Carrying amount of financial assets not overdue or not impaired	63,440,035	115,019,638	--	3,085,726	48,388,555
B. Carrying amount of financial assets with rediscussed conditions that are considered overdue or impaired if not rediscussed	--	--	--	--	--
C. Carrying amount of financial assets overdue but not impaired	--	4,161,485	3,905,469	--	--
D. Carrying amount of assets impaired	--	--	--	--	--
- Overdue (gross book value)	3,134,496	17,464,117	--	8,173,855	--
- Impairment (-)	(3,134,496)	(17,464,117)	--	(8,173,855)	--
E. Off balance sheet items with credit risk	--	--	--	--	--

(Amounts expressed in Turkish Lira unless otherwise stated.)

32. FINANCIAL INSTRUMENTS (continued)

Liquidity risk

The followings are the contractual maturities of financial liabilities, including estimated interest payments:

31 December 2016	**Carrying amount**	**Contractual cash flows (=I+II+III +IV)**	**3 months or less (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Non-derivative financial liabilities						
Financial liabilities	2,332,071,702	2,770,731,940	478,857,221	712,769,847	1,230,067,275	349,037,597
Financial lease liabilities	89,197,952	109,863,293	5,202,715	14,196,234	75,026,584	15,437,760
Other financial liabilities	542,116,445	651,511,666	49,243,754	266,888,058	335,379,854	--
Derivative financial liabilities	**6,505,190**	**(5,695,986)**	**(2,475,895)**	**(3,220,091)**	**--**	**--**
Cash inflow	--	(251,254,451)	(92,769,984)	(158,484,467)	--	--
Cash outflow	--	245,558,465	90,294,089	155,264,376	--	--

	Carrying amount	**Contractual cash flows (=I+II+III +IV)**	**3 months or less (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Non derivative financial liabilities						
Trade payables to third parties	279,737,286	282,264,343	281,301,130	963,213	--	--
Trade payables to related parties	64,689,396	64,689,396	64,689,396	--	--	--
Other payables	14,624,568	14,624,568	14,624,568	--	--	--

31 December 2015	**Carrying amount**	**Contractual cash flows (=I+II+III +IV+V)**	**3 months or less (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Non-derivative financial liabilities						
Financial liabilities	2,379,715,706	2,334,333,380	223,174,136	586,104,899	1,141,528,789	383,525,556
Financial lease liabilities	169,301,754	169,164,095	5,754,504	24,222,884	77,043,913	62,142,794
Other financial liabilities	241,339,306	104,210,205	6,609,784	46,610,378	50,990,043	--
Derivative financial liabilities	**7,170,877**	**5,090,891**	**--**	**2,246,810**	**2,844,081**	**--**
Cash inflow	--	245,558,465	--	(31,280,572)	(238,936,019)	--
Cash outflow	--	(251,254,451)	--	33,527,382	241,780,100	--

	Carrying amount	**Contractual cash flows (=I+II+III +IV)**	**3 months or less (I)**	**3-12 months (II)**	**1-5 years (III)**	**More than 5 years (IV)**
Non derivative financial liabilities						
Trade Payables	400,144,104	400,632,161	400,632,161	--	--	--
Trade payables to third parties	127,848,588	127,848,588	127,848,588	--	--	--
Trade payables to related parties	272,295,516	272,295,516	272,295,516	--	--	--
Other payables	13,056,474	13,056,474	13,056,474	--	--	--

(Amounts expressed in Turkish Lira unless otherwise stated.)

32. FINANCIAL INSTRUMENTS (continued)

Currency risk

The summary of quantitative data about the Group entities' exposure to foreign currency risk as follows:

FOREIGN CURRENCY RISK						
	31 December 2016					
	TL Equivalent	USD	EUR	GBP	CHF	Other (*)
1. Trade receivables	5,435,658	370,206	1,114,000	--	--	--
2a. Monetary financial assets	221,323,607	62,862,062	25,785	875	--	--
2b. Non-monetary financial assets	21,114,948	3,962,609	1,932,595	--	--	--
3. Other	--	--	--	--	--	--
4. CURRENT ASSETS	**247,874,213**	**67,194,877**	**3,072,380**	**875**	**--**	**--**
5. Trade receivables	--	--	--	--	--	--
6a. Monetary financial assets	--	--	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--	--	--
7. Other	--	--	--	--	--	--
8. NON-CURRENT ASSETS	**--**	**--**	**--**	**--**	**--**	**--**
9. TOTAL ASSETS	**247,874,213**	**67,194,877**	**3,072,380**	**875**	**--**	**--**
10. Trade payables	50,948,090	7,490,130	6,594,651	27,501	1,322	--
11. Financial liabilities	501,340,663	101,202,264	39,135,733	--	--	--
12a. Other financial liabilities	--	--	--	--	--	--
12b. Other non-monetary liabilities	--	--	--	--	--	--
13. SHORT TERM LIABILITIES	**552,288,753**	**108,692,394**	**45,730,384**	**27,501**	**1,322**	**--**
14. Trade payables	--	--	--	--	--	--
15. Financial liabilities	1,362,824,559	311,855,156	71,523,193	--	--	--
16a. Other financial liabilities	--	--	--	--	--	--
16b. Other non-monetary liabilities	--	--	--	--	--	--
17. LONG TERM LIABILITIES	**1,362,824,559**	**311,855,156**	**71,523,193**	**--**	**--**	**--**
18. TOTAL LIABILITIES	**1,915,113,312**	**420,547,550**	**117,253,577**	**27,501**	**1,322**	**--**
19. Off statement of financial position derivatives net asset/liability position	--	--	--	--	--	--
20. Net foreign currency asset liability position	**(1,667,239,099)**	**(353,352,673)**	**(114,181,197)**	**(26,626)**	**(1,322)**	**--**
21. Net foreign currency asset / (liability) (position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(1,688,354,047)**	**(357,315,282)**	**(116,113,792)**	**(26,626)**	**(1,322)**	**--**
22. Fair value of derivative instruments used in foreign currency hedge	**(1,343,145)**	**(381,662)**	**--**	**--**	**--**	**--**
23. Hedged portion of foreign currency assets	--	--	--	--	--	--
24. Hedged portion of foreign currency liabilities	**302,280,758**	**85,894,737**	**--**	**--**	**--**	**--**

(Amounts expressed in Turkish Lira unless otherwise stated.)

32. FINANCIAL INSTRUMENTS (continued)

Currency risk (continued)

FOREIGN CURRENCY RISK						
	31 December 2015					
	TL Equivalent	USD	EUR	GBP	CHF	Other (*)
1. Trade receivables	160,753	50,741	4,160	--	--	--
2a. Monetary financial assets	18,622,722	6,308,579	110,558	81	--	(94,680)
2b. Non-monetary financial assets	--	--	--	--	--	--
3. Other	23,794,554	5,341,068	2,600,977	--	--	--
4. CURRENT ASSETS	**42,578,029**	**11,700,388**	**2,715,695**	**81**	**--**	**(94,680)**
5. Trade receivables	--	--	--	--	--	--
6a. Monetary financial assets	--	--	--	--	--	--
6b. Non-monetary financial assets	--	--	--	--	--	--
7. Other	92,555,121	25,032,323	6,222,035	--	--	--
8. NON-CURRENT ASSETS	**92,555,121**	**25,032,323**	**6,222,035**	**--**	**--**	**--**
9. TOTAL ASSETS	**135,133,150**	**36,732,711**	**8,937,730**	**81**	**--**	**(94,680)**
10. Trade payables	50,186,345	5,337,305	10,891,891	1,867	16,905	--
11. Financial liabilities (*)	478,590,867	132,666,405	29,220,175	--	--	--
12a. Other financial liabilities	1,475,043	507,306	--	--	--	--
12b. Other non-monetary liabilities	--	--	--	--	--	--
13. SHORT TERM LIABILITIES	**530,252,255**	**138,511,016**	**40,112,066**	**1,867**	**16,905**	**--**
14. Trade payables	--	--	--	--	--	--
15. Financial liabilities (*)	1,409,867,959	380,498,543	95,521,902	--	--	--
16a. Other financial liabilities	--	--	--	--	--	--
16b. Other non-monetary liabilities	--	--	--	--	--	--
17. LONG TERM LIABILITIES	**1,409,867,959**	**380,498,543**	**95,521,902**	**--**	**--**	**--**
18. TOTAL LIABILITIES	**1,940,120,214**	**519,009,559**	**135,633,968**	**1,867**	**16,905**	**--**
19. Off balance sheet derivatives net asset/liability position	--	--	--	--	--	--
20. Net foreign currency asset liability position	**(1,804,987,064)**	**(482,276,848)**	**(126,696,238)**	**(1,786)**	**(16,905)**	**(94,680)**
21. Net foreign currency asset / (liability) (position ofmonetary items (1+2a+5+6a-10-11-12a-14-15-16a)	**(1,921,336,739)**	**(512,650,239)**	**(135,519,250)**	**(1,786)**	**(16,905)**	**(94,680)**
22. Fair value of derivative instruments used in foreign currency hedge	(7,207,234)	(2,478,757)	--	--	--	--
23. Hedged portion of foreign currency assets	--	--	--	--	--	--
24. Hedged portion of foreign currency liabilities	270,216,591	92,934,582	--	--	--	--

(* Amounts in foreign currencies are presented in TL equivalents.
(**) Includes the balances of asset and liability held for sale.

(Amounts expressed in Turkish Lira unless otherwise stated.)

32. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis

Foreign currency risk sensitivity analysis

The Group is mainly exposed to foreign currency risks in USD and Euro.

The following table shows the Group's sensitivity to a 10% increase and decrease in USD and Euro. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis only includes outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. A positive number indicates an increase in profit / loss and other equity.

Sensitivity Analysis				
31 December 2016				
	Profit/Loss		Equity	
	The appreciation of foreign currency	The depreciation of foreign currency	The appreciation of foreign currency	The depreciation of foreign currency
10% appreciation / depreciation of TL against the USD				
1 - USD net asset / liability	(125,746,394)	125,746,394	(125,746,394)	125,746,394
2- Portion secured from USD(-)	30,228,076	(30,228,076)	30,228,076	(30,228,076)
3- USD net effect (1 +2)	**(95,518,318)**	**95,518,318**	**(95,518,318)**	**95,518,318**
10% appreciation / depreciation of TL against EUR				
4 - Euro net asset / liability	(43,077,056)	43,077,056	(43,077,056)	43,077,056
5 - Portion secured from Euro (-)	--	--	--	--
6 - Euro net effect (4+5)	**(43,077,056)**	**43,077,056**	**(43,077,056)**	**43,077,056**
10% appreciation / depreciation of TL against other currencies				
7- Other foreign currency net asset/liability	(10,337)	10,337	(10,337)	10,337
8- Portion secured from other currency (-)	--	--	--	--
9- Other currency net effect (7+8)	(10,337)	10,337	(10,337)	10,337
Total (3+6+9)	**(138,605,711)**	**138,605,711**	**(138,605,711)**	**138,605,711**

Sensitivity Analysis				
31 December 2015				
	Profit/Loss		Equity	
	The appreciation of foreign currency	The depreciation of foreign currency	The appreciation of foreign currency	The depreciation of foreign currency
10% appreciation / depreciation of TL against the USD				
1 - USD net asset / liability	(149,310,862)	149,310,862	(149,310,862)	149,310,862
2- Portion secured from USD(-)	27,021,659	(27,021,659)	27,021,659	(27,021,659)
3- USD net effect (1 +2)	**(122,289,203)**	**122,289,203**	**(122,289,203)**	**122,289,203**
10% appreciation / depreciation of TL against EUR				
4 - Euro net asset / liability	(43,062,597)	43,062,597	(43,062,597)	43,062,597
5 - Portion secured from Euro (-)	--	--	--	--
6 - Euro net effect (4+5)	**(43,062,597)**	**43,062,597**	**(43,062,597)**	**43,062,597**
10% appreciation / depreciation of TL against other currencies				
7- Other foreign currency net asset/liability	(5,718)	5,718	(5,718)	5,718
8- Portion secured from other currency (-)	--	--	--	--
9- Other currency net effect (7+8)	(5,718)	5,718	(5,718)	5,718
Total (3+6+9)	**(165,357,518)**	**165,357,518**	**(165,357,518)**	**165,357,518**

(Amounts expressed in Turkish Lira unless otherwise stated.)

32. FINANCIAL INSTRUMENTS (continued)

Sensitivity analysis (continued)

Interest rate risk

Profile

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

Interest rate position		
	31 December 2016	**31 December 2015**
Fixed rate instruments		
Financial assets	5,091,722	20,518,378
Financial liabilities	1,212,305,246	1,294,640,350
Other financial liabilities	542,116,445	241,339,306
Variable rate instruments		
Financial liabilities	1,208,964,408	1,254,377,110

Capital risk management

The risk related with each of the capital class and group capital cost is considered by the top management of the Group.

The primary objective of the Group's capital management objectives is to ensure that it maintains a healthy capital structure in order to support its business and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions.

To maintain or adjust the capital structure, the Group may obtain new loans, repay existing loans; make dividend payments to shareholders, issue new shares based on Management's evaluation. The Group manages the capital structure so as to ensure the Group's ability to continue as a going concern; and maximize its profitability by maintaining an adequate capital to overall financing structure ratio.

The Group monitors capital using a gearing ratio, which is net debt divided by total financing used. The Group includes within net financial debt, borrowings, less cash and cash equivalents. Financing used is the sum of total equity and net financial debt.

The following table sets out the gearing ratios as of 31 December 2016 and 2015:

	31 December 2016	**31 December 2015**
Total financial liabilities	2,963,386,099	2,790,356,766
Less: cash and cash equivalents	(219,364,855)	(48,452,416)
Net financial debt	**2,744,021,244**	**2,741,904,350**
Total equity	490,264,909	881,123,121
Gearing ratio (net financial debt to overall financing used ratio)	**559%**	**311%**

(Amounts expressed in Turkish Lira unless otherwise stated.)

32. FINANCIAL INSTRUMENTS (continued)

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	31 December 2016		31 December 2015	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial assets				
Cash and cash equivalents	219.364.855	219.364.855	48.452.416	48.452.416
Trade receivables	270.485.380	270.485.380	182.621.158	182.621.158
Other receivables (*)	11.885.379	11.885.379	4.017.787	4.017.787
Derivative assets	6.505.190	6.505.190	36.357	36.357
Financial liabilities				
Financial liabilities	2.421.269.654	2.421.269.654	2.549.017.460	2.549.017.460
Trade payables	344.426.682	344.426.682	400.144.104	400.144.104
Other financial liabilities	542.116.445	542.116.445	241.339.306	241.339.306
Derivative liabilities	--	--	7.207.234	7.207.234
Other payables (**)	14.624.568	14.624.568	4.907.181	4.907.181

(*)Non-financial instruments such as deposits given, VAT, prepayment and advances given are excluded from receivables and other current asset.

(**) Non-financial instruments such as VAT payables, withholding tax payable and social security premiums payable are excluded from trade and other receivables.

The basis for determining fair values is discussed in Note 4.

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. Fair value hierarchy table as at 31 December 2016 is as follows:

	Fair value measurement			
31 December 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets measured at fair value:				
Derivative assets	--	6,505,190	--	--
	--	**6,505,190**	--	--
Financial liabilities measured at fair value:				
Derivative liabilities	--	--	--	--
	--	--	--	--
31 December 2015				
Financial assets measured at fair value:				
Derivative assets	--	36,357	--	36,357
	--	**36,357**	**--**	**36,357**
Financial liabilities measured at fair value:				
Derivative liabilities	--	7,207,234	**--**	7,207,234
	--	**7,207,234**	**--**	**7,207,234**

(Amounts expressed in Turkish Lira unless otherwise stated.)

33. RELATED PARTIES

The Company has a number of operating and financial relationships with its shareholders and other entities owned by its shareholders. There are no set payment terms for any of the related party transactions. The related party receivables and payables resulting from operating activities are generally settled in the normal course of business.

Parent and ultimate controlling party

The controlling party of the Company is Kazancı Holding, holding 61.98% of the Company's shares.

Key management personnel compensation

The remuneration of directors and other members of key management during year comprised the following:

	1 January- 31 December 2016	1 January- 31 December 2015
Short-term and long-term employee benefits (salaries, bonuses, employee termination benefits etc.)	3,993,427	3,950,875
	3,993,427	**3,950,875**

As at 31 December 2016 and 2015, none of the Group's directors and executive officers has outstanding personnel loans from the Company. As at 31 December 2016 and 2015, the Company did not issue any loans to the directors and executive officers.

As at 31 December 2016 and 2015, current trade and other receivables are as follows:

	31 December 2016		**31 December 2015**	
Current trade and other receivables	**Trade**	**Other**	**Trade**	**Other**
Trade receivables due to related parties	51,191,182	8,746,570	63,440,035	3,905,469
Doubtful trade receivables	3,410,559	--	3,134,496	--
Provisions for doubtful trade receivables (-)	(3,410,559)	--	(3,134,496)	--
Total	**51,191,182**	**8,746,570**	**63,440,035**	**3,905,469**

(Amounts expressed in Turkish Lira unless otherwise stated.)

33. RELATED PARTIES (continued)

Other related party balances

	31 December 2016		31 December 2015	
Due from Kazancı Holding's associates and subsidiaries:	**Trade**	**Other**	**Trade**	**Other**
Aksa Elektrik Satış A.Ş.	18,064,023	--	63,428,151	--
Aksa Jeneratör Sanayi A.Ş.	766,757	--	--	7,622
Datça Rüzgar Enerjisi Elektrik Üretimi A.Ş.	18,038	1,612,027	--	--
Kazancı Holding A.Ş.	3,663,739	6,752,058	--	743,063
Kazancı Teknik Cihazlar Yedek Parça A.Ş.	6,219,517	--	--	58,286
Other	53,050	--	--	42,661
	28,785,124	**8,364,085**	**63,428,151**	**851,632**
Due from Kazancı Holding's indirect investments and subsidiaries:				
Aksa International Ltd.	3,027,389	--	--	2,501,261
Aksa Satış ve Pazarlama A.Ş.	13,788,009	--	11,813	211,867
Other	3,027,389	--	--	409
	21,306,911	**--**	**11,813**	**2,713,537**
Due from related parties:				
Flamingo Enerji Üretim ve Satış A.Ş.	--	363,846	--	31,458
Koni İnşaat Sanayi A.Ş.	1,098,053	--	--	--
Other	1,094	18,639	71	308,842
	1,099,147	**382,485**	**71**	**340,300**
Total	**51,191,182**	**8,746,570**	**63,440,035**	**3,905,469**

	31 December 2016		31 December 2015	
Short term due to related parties	**Trade**	**Other**	**Trade**	**Other**
Trade payables due to related parties	64,689,396	--	127,848,588	4,906,931
Total	**64,689,396**	**--**	**127,848,588**	**4,906,931**

(Amounts expressed in Turkish Lira unless otherwise stated.)

33. RELATED PARTIES (continued)

Other related party balances (continued)

	31 December 2016		31 December 2015	
Due to Kazancı Holding's associates and subsidiaries:	**Trade**	**Other**	**Trade**	**Other**
Aksa Elektrik Satış A.Ş.	171,777	--	7,321,048	--
Aksa Havacılık A.Ş.	33,536	--	554,444	--
Aksa Jeneratör Sanayi A.Ş.	35,521,673	--	16,013,388	311,391
Aksa Manisa Doğalgaz Dağıtım A.Ş.	9,027,923	--	7,121,505	--
Aksa Şanlıurfa Doğalgaz Dağıtım Ltd. Şti.	9,115,589	--	10,035,801	--
ATK Sigorta Aracılık Hiz. A.Ş.	8,774,002	--	--	--
Datça Rüzgar Enerjisi A.Ş	--	--	--	2,724,132
Other	12,210	--	134,679	98,585
	62,656,710	**--**	**41,180,865**	**3,134,108**
Due to Kazancı Holding's indirect investments and subsidiaries:	**Trade**	**Other**	**Trade**	**Other**
Aksa Far East PTE Ltd.	918,564	--	--	1,475,043
Aksa Teknoloji A.Ş.	--	--	161,990	--
Aksa Power Generation Fze	705,841	--	407,064	--
Çoruh Elektrik Perakende Satış A.Ş.	13,090	--	50,101,847	--
Fırat Elektrik Perakende Satış A.Ş.	--	--	34,354,986	--
Other	135,235	--	7,771	649
	1,772,730	**--**	**85,033,658**	**1,475,692**
Due to Related Parties:	**Trade**	**Other**	**Trade**	**Other**
Elektrik Altyapı Hizmetleri Ltd. Şti.	212,171	--	445,579	--
Koni İnşaat Sanayi A.Ş.	37,886	--	978,111	297,095
Koni Tarım İşletmeleri A.Ş.	--	--	210,375	--
Other	9,899	--	--	36
	259,956	**--**	**1,634,065**	**297,131**
Total	**64,689,396**	**--**	**127,848,588**	**4,906,931**

(Amounts expressed in Turkish Lira unless otherwise stated.)

33. RELATED PARTIES (continued)

Related party transactions

	1 January - 31 December 2016		1 January - 31 December 2015	
Sales to Kazancı Holding's associates and subsidiaries:	**Goods services**	**Other**	**Goods services**	**Other**
Aksa Elektrik Satış A.Ş.	815,040,620	164,704	1,205,897,040	18,476
Other	--	133,494	389,126	1,895
	815,040,620	**298,198**	**1,206,286,166**	**20,371**
Sales to Kazancı Holding's indirect investments and subsidiaries:				
Çoruh Elektrik Perakende Satış A.Ş.	92,337,005	--	136,085,500	--
Fırat Aksa Elektrik Perakende Satış A.Ş.	52,736,942	2,443	91,722,960	--
Other	--	--	1,451	30,542
	145,073,947	**2,443**	**227,809,911**	**30,542**
Sales to Related Parties:				
Elektrik Altyapı Hizmetleri Ltd. Şti.	--	212,453	5	2,462
Koni İnşaat Sanayi A.Ş.	--	--	19,716	162,537
Other	--	--	29,964	976,584
	--	**212,453**	**49,685**	**1,141,583**
Total	**960,114,567**	**513,094**	**1,434,145,762**	**1,192,496**

(Amounts expressed in Turkish Lira unless otherwise stated.)

33. RELATED PARTIES (continued)

Related party transactions (continued)

	1 January - 31 December 2016	
Purchases from Kazancı Holding's associates and subsidiaries	**Goods & Services**	**Other**
Aksa Doğal Gaz Toptan Satış A.Ş.	95,651,175	--
Aksa Doğalgaz Dağıtım A.Ş.	197	--
Aksa Elektrik Satış A.Ş.	72,161,284	370,102
Aksa Havacılık A.Ş.	--	--
Aksa Jeneratör Sanayi A.Ş.	25,654,851	190,645
Aksa Manisa Doğalgaz Dağıtım A.Ş.	22,540,646	--
Aksa Ordu Giresun Doğalgaz Dağıtım A.Ş.	--	825
Aksa Şanlıurfa Doğalgaz Dağıtım Ltd. Şti.	39,842,985	--
Aksa Van Doğalgaz Dağıtım A.Ş.	--	--
ATK Sigorta aracılık Hizmetleri A.Ş	3,658	1,238,614
Kazancı Holding A.Ş.	--	486,599
Other	8,704	20,889
Total	**255,863,500**	**2,307,674**

	1 January - 31 December 2016	
Purchases to Kazancı Holding's indirect investments and subsidiaries		
Aksa Power Generation	3,965,906	--
Aksa Satış ve Pazarlama A.Ş.	1,300	6,010
Aksa Servis ve Kiralama A.Ş.	2,603	2,998
Çoruh Elektrik Dağıtım A.Ş.	--	408,136
Çoruh Elektrik Perakende Satış A.Ş.	3,269,076	--
Fırat Elektrik Dağıtım A.Ş.	--	21,868
Fırat Elektrik Perakende Satış A.Ş.	4,024,803	5,458
Other	--	--
	11,263,688	**444,470**

	1 January - 31 December 2016	
Purchases to Kazancı Holding's indirect investments and subsidiaries		
Elektrik Altyapı Hizmetleri Ltd. Şti.	--	1,244,365
Koni İnşaat Sanayi A.Ş.	90,718	2,174,809
Reform Altyapı Hizmetleri A.Ş	--	14,814
Other	--	--
	--	1,244,365
	90,718	**3,433,988**
Total	**267,217,906**	**6,186,132**

(Amounts expressed in Turkish Lira unless otherwise stated.)

33. RELATED PARTIES (continued)

Related party transaction (continued)

Financial Income from Related Parties

	1 January - 31 December 2016	1 January - 31 December 2015
Kazancı Holding's associates and subsidiaries:	**Interest and exchange difference**	**Interest and exchange difference**
Aksa Elektrik Satış A.Ş.	3,886,802	4,558,143
Aksa Jeneratör Sanayi A.Ş.	486,497	53,714
Kazancı Holding A.Ş.	2,752,991	17,461,306
Other	34,888	52,144
	7,161,178	**22,125,307**
Kazancı Holding's indirect investments and subsidiaries:		
Çoruh Elektrik Parakende Satış A.Ş.	163,801	4,439
Fırat Elektrik Perakende Satış A.Ş.	164,859	--
Other	--	1,406
	328,660	**5,845**
Related Parties:		
Flamingo Enerji Üretim ve Satış A.Ş.	35,734	--
Koni İnşaat Sanayi A.Ş.	21,897	176,937
Onan Enerji Üretim A.Ş.	--	361,513
Other	13,102	667
	70,733	**539,117**
Total	**7,560,571**	**22,670,269**

(Amounts expressed in Turkish Lira unless otherwise stated.)

33. RELATED PARTIES (continued)

Related party transaction (continued)

Financial Expense to Related Parties

	1 January - 31 December 2016	1 January - 31 December 2015
Kazancı Holding's associates and subsidiaries:	**Interest and exchange difference**	**Interest and exchange difference**
Aksa Elektrik Satış A.Ş.	17,227,239	10,386,691
Aksa Şanlıurfa Doğalgaz Dağıtım Ltd. Şti.	56,246	1,219,407
Aksa Manisa Doğalgaz Dağıtım A.Ş.	5,344,564	4,736,361
Aksa Havacılık A.Ş.	24,654	38,246
Aksa Jeneratör Sanayi A.Ş.	2,715,657	75,909
Aksa Van Doğalgaz Dağıtım A.Ş.	--	834,747
Datça Rüzgar Enerjisi Elektrik Üretim A.Ş	304,160	254,238
Kazancı Holding A.Ş.	5,191,478	--
Other	11,037	16,229
	30,875,035	**17,561,828**
Kazancı Holding's indirect investments and subsidiaries:		
Aksa Satış ve Pazarlama A.Ş.	9,695	20,272
Aksa Teknoloji A.Ş.	7,279	25,771
Çoruh Elektrik Perakende Satış A.Ş.	2,503,660	6,633,822
Fırat Elektrik Perakende Satış A.Ş.	4,100,374	7,104,875
Other	1,838	4,723
	6,622,846	**13,789,463**
Related Parties:		
Elektrik Altyapı Hizmetleri Ltd. Şti.	24,942	57,993
Koni İnşaat Sanayi A.Ş.	111,296	159,482
Other	--	153,295
	136,238	**370,770**
Total	**37,634,119**	**31,722,061**

(Amounts expressed in Turkish Lira unless otherwise stated.)

34. DISPOSAL OF SUBSIDIARY

Disposal of Siirt Akköy Enerji

On 13 May 2016, the shares of Siirt Akköy Enerji held by the Group have been sold to DC Elektrik Üretim A.Ş., for a consideration of USD 7,963,183 (equivalent to TL 23,631,541 at the time of sale) adjusted for deduction of net debt of Siirt Akköy Enerji at the transaction date in accordance with share transfer agreement signed on 21 April 2016. The contract price determined in the share transfer agreement was 19 million USD.

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

Identifiable assets sold and liabilities transferred	Recognised values on sale
Cash and cash equivalents	13,550
Due from related parties - trade	2,118,758
Inventories	1,603,723
Prepayments - short term	101,943
Other current assets	32,942
Current tax assets	601
Trade other receivables - long term	43,105
Property and equipment	59,337,148
Prepayments - long term	32,657
Intangible assets	26,660
Trade payables	(347,180)
Trade other payables	(40,678,112)
Employee benefits	(34,450)
Deferred tax liabilities	(2,166,168)
Total net identifiable assets	**20,085,177**
Consideration received	23,631,541
Net gain on sale of Siirt Akköy Enerji	**3,546,364**
Cash flow from sale of Siirt Akköy Enerji	
Cash and cash equivalents disposed	(13,550)
Consideration received	23,631,541
Net cash received	**23,617,991**

The difference arising between consideration transferred and the recognised amounts of identifiable assets and liabilities disposed at the acquisition date is recognised under gain from investing activities in profit or loss (see Note 8).

(Amounts expressed in Turkish Lira unless otherwise stated.)

35. ASSETS AND LIABILITIES HELD FOR SALE

The group decided to sell the wind power plants in order to decrease the short term liabilities, decrease interest expense effect on financial statements and allocate the cash income to potential investment in foreign countries at 10 November 2016. An agreement has been reached with Güriş Group for the sales of Hatay Sebenoba Wind Power Plant, Manisa Karakurt Wind Power Plant, Balıkesir Şamlı Wind Power Plant, Ayvacık Wind Power Plant, Kapıdağ Wind Power Plant and Belen/Atik Wind Power Plant, which in total have 232 MW installed capacity, for USD 259,000,000 at 30 November 2016. The sales process of these WPPs, the sale of Belen Atik, Kapıdağ and Ayvacık WPPs have been approved by the Competition Board, while the sale of Sebenoba and Karakurt WPPs have been approved by Energy Market Regulatory Authority (EMRA) and the Competition Board on 26 January 2017. The sale of wind power plants are approved by general assembly held in 3 February 2017. Total assets and liabilities of the subsidiaries Ayres Ayvacık Rüzgar, Baki Elektrik, Deniz Elektrik and Kapıdağ Rüzgar Enerjisi and Belen-Atik which is recognized as property, plant and equipment as group are classified as respectively, “Assets held for sale” and “Liabilities held for sale”.

As at 31 December 2016, assets and liabilities including those of discontinued operations are TL 448,888,338 and TL 369,543,650, respectively, and details are as follows:

Assets held for sale	**31 December 2016**
Cash and cash equivalents	15,662,073
Trade receivables	4,137,169
Inventories	4,397,724
Property, plant and equipment	418,052,451
Intangible assets	397,794
Deferred tax asset	4,857,121
Other assets	1,384,005
	448,888,338

Liabilities held for sale	**31 December 2016**
Loan and borrowings	357,470,411
Trade payable	5,394,941
Other liabilities	3,014,209
Deferred tax liability	3,137,212
Provisions	526,877
	369,543,650

(Amounts expressed in Turkish Lira unless otherwise stated.)

36. ADJUSTED EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTISATION ("EBITDA") RECONCILIATION

The Directors of the Group have presented the performance measure adjusted EBITDA as they monitor this performance measure at a consolidated level and they believe this measure is relevant to an understanding of the Group's financial performance. Adjusted EBITDA is calculated by adjusting loss from continuing operations to exclude the impact of taxation, net finance costs, gain from investing activities, loss from investing activities and depreciation, amortization related to intangible assets, property, plant and equipment.

Adjusted EBITDA is not a defined performance measure in IFRS. The Group's definition of adjusted EBITDA may not be comparable with similarly titled performance measures and disclosures by other entities.

	31 December 2016	31 December 2015
Loss from continuing operations	**(367,623,981)**	**(221,078,813)**
Add: Taxation	(59,497,788)	(4,164,003)
Add: Net finance costs	584,612,302	550,142,878
Add: Gain from investing activities	(3,950,599)	(29,153,783)
Add: Loss from investing activities	90,155,036	552,742
Add: Depreciation and amortization expenses	191,172,113	146,593,311
Adjusted EBITDA	**434,867,083**	**442,892,332**

37. SUBSEQUENT EVENTS

None.