

Despec Bilgisayar Pazarlama ve Ticaret A.Ş

**Audited
Financial Statements and Footnotes
As Of and For The Period
Ended December 31, 2016**

**(Convenience translation of the independent auditors' report and
consolidated financial statements originally issued in Turkish)**

DESPEC BİLGİSAYAR PAZARLAMA VE TİCARET A.Ş
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INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

To the Board of Directors of Despec Bilgisayar Pazarlama ve Ticaret Anonim Şirketi;

Introduction

- 1) We have audited the accompanying statement of financial position of **Despec Bilgisayar Pazarlama ve Ticaret Anonim Şirketi** (the Company) as at December 31, 2016 and the related statement of profit or loss and statement of other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and explanatory notes.

Company Management 's Responsibility for the Financial Statements

- 2) Company's management is responsible for the preparation and fair presentation of financial statements in accordance with the Turkish Accounting Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") of Turkey and for such internal controls as management determines is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error and/or fraud.

Independent Auditor's Responsibility

- 3) Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with standards on auditing issued by the Capital Markets Board of Turkey and standards on auditing issued by POA. Those standards require that ethical requirements are complied with and that the independent audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.
- 4) Independent audit involves performing independent audit procedures to obtain independent audit evidence about the amounts and disclosures in the financial statements. The independent audit procedures selected depend on our professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error and/or fraud. In making those risk assessments, the Company's internal control system is taken into consideration our purpose, however, is not to express an opinion on the effectiveness of internal control system but to design independent audit procedures that are appropriate for the circumstances in order to identify the relation between the financial statements prepared by the Company and its internal control system. Our independent audit includes also evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Company's management as well as evaluating the overall presentation of the financial statements.
- 5) We believe that the audit evidence we have obtained during our independent audit is sufficient and appropriate to provide a basis for our audit opinion



Opinion

- 6) In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of **Despec Bilgisayar Pazarlama ve Ticaret Anonim Şirketi** as at December 31, 2016 and their financial performance and cash flows for the year then ended in accordance with the Turkish Accounting Standards.

Reports on other responsibilities arising from regulatory requirements

- 7) Auditors' report on Risk Management System and Committee prepared in accordance with subparagraph 4, Article 398 of Turkish Commercial Code no. 6102 ("TCC") is submitted to the Board of Directors of the Company on February 24, 2017.
- 8) In accordance with subparagraph 4, Article 402 of the TCC, no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 – December 31, 2016 and financial statements are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.
- 9) In accordance with subparagraph 4, Article 402 of the TCC, the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

MGI BAĞIMSIZ DENETİM S.M.M.M. A.Ş.
A Member of MGI WORLDWIDE



GAMZE TÜRKİN AKSU
Principal Auditor in Charge
(İstanbul, February 24, 2017)

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) (TL)

		Audited Current Period December 31, 2016	Audited Previous Period December 31, 2015
ASSETS			
Current Assets		85.694.385	80.557.731
Cash and Cash Equivalents	6	3.504.106	13.686.449
Financial Investments	7	115.680	87.878
Trade Receivables	10	47.963.893	41.835.398
- <i>Receivables from Related Parties</i>	11-37	29.672	198
- <i>Trade Receivables Due From Unrelated Parties</i>	10	47.934.221	41.835.200
Other Receivables	11	39.347	91.062
- <i>Receivables from Related Parties</i>	11-37	-	55.535
- <i>Other Receivables Due From Unrelated Parties</i>	11	39.347	35.527
Derivative Instruments	12	238.579	-
Inventories	13	26.415.466	17.837.597
Prepaid Expenses	15	1.862.549	6.505.766
Current Tax Assets		-	-
Other Current Assets	26	5.554.765	513.581
(Subtotal)		85.694.385	80.557.731
Non-Current Assets		976.157	734.489
Financial Investments	7	10.190	10.190
Investment Properties	17	18.280	18.280
Tangible Assets	18	255.642	265.343
Intangible Assets	19	337.826	21.336
- <i>Other intangible assets</i>	19	337.826	21.336
Deferred Tax Assets	35	354.219	419.340
TOTAL ASSETS		86.670.542	81.292.220



STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) (TL)

Notes	Audited Current Period December 31,2016	Audited Previous Period December 31,2015
LIABILITIES		
Short-Term Liabilities	30.583.339	26.839.688
Short-Term Financial Liabilities	8	-
-Current Borrowings From Unrelated Parties	-	-
-Bank Loans	-	-
Trade Payables	10	26.894.845
-Trade Payables to Related Parties	10/37	419.373
-Trade Payables to Unrelated Parties	10	26.475.472
Employee Benefit Obligations	20	100.538
Other Payables	11	87.429
-Other Payables to Related Parties	11/37	-
-Other Payables to Unrelated Parties	11	87.429
Derivative Instruments	12	-
Deferred Earnings	15	912.713
Profit Tax Liabilities	35	1.431.775
Short-Term Provisions	22	1.156.039
- Provisions for Employee Benefits	-	-
-Other Short-Term Provisions	22	1.156.039
(Subtotal)	30.583.339	26.839.688
Long-Term Liabilities	222.068	356.080
Long Term Payables	8	-
Long-Term Provisions	24	222.068
- Provisions for Employee Benefits	24	222.068
Deferred Tax Liabilities	35	-
SHAREHOLDERS' EQUITY	55.865.135	54.096.452
Parent Company Shareholders' Equity	55.865.135	54.096.452
Paid-in Capital	27	23.000.000
Difference in Capital Adjustments		437.133
Shares buyback(-)		-
Share Premium (Discount)		2.967.707
Other Comprehensive Income or Expenses not to be Reclassified to profit or loss		(50.861)
-Gains (Losses) on Revaluation and Remeasurement		(50.861)
-Revaluation and gain/loss arising from Measurement		(50.861)
Other Comprehensive Income or Expenses to be Reclassified to profit or loss		606.110
- Foreign Currency Translation Differences		606.110
-Hedging		-
Restricted Profit Reserves		7.310.637
-Legal Reserves		7.310.637
Retained Earning		11.239.245
Net Profit/(Loss)		10.355.164
Non-Controlling Interests	27	-
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	86.670.542	81.292.220

The accompanying notes are integral parts of the financial statements.



PROFIT OR LOSS AND
OTHER COMPREHENSIVE INCOME STATEMENTS (TL)

		Audited January 1, 2016 December 31, 2016	Audited January 1, 2015 December 31, 2015
STATEMENT OF PROFIT OR LOSS			
Revenue	28	192.956.531	176.417.077
Cost of Sales (-)	28	(177.044.511)	(161.664.726)
GROSS PROFIT (LOSS) FROM TRADE OPERATION		15.912.020	14.752.351
GROSS PROFIT		15.912.020	14.752.351
General Administrative Expenses (-)	29	(3.977.265)	(4.366.744)
Marketing, Sales and Distribution (-)	29	(4.049.038)	(3.483.899)
Other Operating Income	31	7.747.975	9.399.568
Other Operating Expenses (-)	31	(4.156.314)	(5.050.372)
OPERATION PROFIT / (LOSS)		11.477.378	11.250.904
Income from Investment Activities	32	8.419	5.110
Loss from Investment Activities (-)	32	-	-
OPERATING PROFIT/LOSS BEFORE FINANCIAL INCOME/EXPENSE		11.485.797	11.256.014
Financial Income	33	6.647.802	5.200.553
Financial Expenses (-)	33	(5.171.309)	(4.254.302)
CONTINUED OPERATIONS PROFIT / (LOSS) BEFORE TAX		12.962.290	12.202.265
Continued Operations Tax Profit / (Loss)		(2.607.126)	(2.460.641)
- Current Period Tax Income / (Expense)	35	(2.539.583)	(2.608.378)
- Deferred Tax Income / (Expense)	35	(67.543)	147.737
PROFIT (LOSS) FROM CONTINUING OPERATIONS		10.355.164	9.741.624
Net Profit (Loss)		10.355.164	9.741.624
Distribution of Profit / (Loss) of the Period		10.355.164	9.741.624
Non-Controlling Interest	27	-	-
Parent Company Share	27	10.355.164	9.741.624
Earnings / (Loss) Per Share	36	0,45022452	0,42354887
OTHER COMPREHENSIVE INCOME			
Items Not To Be Reclassified in Profit / Loss		(9.689)	(8.862)
Gains (losses) on remeasurements of defined benefit plans		(12.111)	(11.077)
Items not to be reclassified to profit or loss in subsequent periods related Tax		2.422	2.215
- Deferred Tax Income / (Expense)		2.422	2.215
Items to Be Reclassified to Profit or Loss in Subsequent Periods		-	-
Foreign Currency Exchange Differences		-	-
Hedge Fund	27	-	-
OTHER COMPREHENSIVE INCOME		(9.689)	(8.862)
TOTAL COMPREHENSIVE INCOME/LOSS		10.345.475	9.732.762
Distribution of Total Comprehensive Income/Expenses			
Non-Controlling Interest		-	-
Parent Company Shares		10.345.475	9.732.762

The accompanying notes are integral parts of the financial statements.



CASH FLOW STATEMENT (TL)

Notes	Audited Current Period	Audited Previous Period
	January 1,2016- December 31, 2016	January 1,2015- December 31, 2015
A. CASH FLOW PROVIDED FROM OPERATIONS	(1.350.593)	18.536.460
Net Profit / (Loss)	10.355.164	9.741.624
Adjustments:	(190.676)	3.075.002
Depreciation and Amortization Adjustment	18-19 167.000	126.461
Adjustments for Impairment Loss (Reversal of Impairment Loss)	360.879	553.120
Adjustments for Provision (Reversal of Provision) of Receivables	10 57.126	14.073
Adjustments for Impairment Loss (Reversal of Impairment Loss) of Inventories	13 303.753	539.047
Adjustments for Provisions	420.428	(78.534)
Adjustments for (Reversal of) Provisions Related with Employee Benefits	24 225.567	157.736
Adjustments for (Reversal of) Lawsuit and/or Penalty Provisions	22 35.012	-
Adjustments for (Reversal of) Other Provisions	22 159.849	(236.270)
Adjustments for Interest (Income) Expenses	(292.774)	(937.042)
Adjustments for Interest Income	31-33 (2.488.494)	(2.945.754)
Adjustments for Interest Expense	31-33 2.269.241	2.020.586
Deferred Financial Expense from Credit Purchases	10 (8.662)	(110.606)
Unearned Financial Income from Credit Sales	10 (64.859)	98.732
Adjustments for Interest (Income) Expenses	35 2.607.126	2.460.641
Other adjustments to reconcile profit (loss)	26 (3.453.335)	950.356
Changes in Working Capital	(13.297.655)	14.625.996
Adjustments for decrease (increase) in trade accounts receivable	10 (6.120.762)	(2.228.029)
Adjustments for Decrease (Increase) in Other Receivables Related with Operations	11 51.715	1.775.853
Adjustments for decrease (increase) in inventories	13 (8.881.622)	3.831.793
Adjustments for increase (decrease) in trade accounts payable	10 1.941.554	11.059.005
Adjustments for increase (decrease) in other operating payables	11 (288.540)	187.374
Cash Flows From (Used in) Operations	(3.133.167)	27.442.622
Employee Termination Benefit Paid	24 (359.579)	(179.938)
Income taxes refund (paid)	22 (1.267.583)	(3.225.834)
Other inflows (outflows) of cash	3.409.736	(5.500.390)
B. CASH FLOWS FROM (USED IN) INVESTING ACTIVITIES	(473.789)	(25.059)
Cash Provided from Sales of Tangible and Intangible Assets	-	-
Proceeds from sales of property, plant and equipment	18-19 -	-
Proceeds from sales of intangible assets	-	-
Cash Outflow from Acquisitions of Tangible and Intangible Assets	(473.789)	(25.059)
Purchase of property, plant and equipment	18-19 (473.789)	(25.059)
Purchase of intangible assets	-	-
Cash Outflows from Acquisition of Investments Property(-)	-	-
C. CASH FLOW FROM FINANCIAL ACTIVITIES	(8.357.539)	(6.235.126)
Proceeds from Borrowings	-	-
Proceeds from Loans	8 -	-
Dividends Paid	(8.576.792)	(7.160.294)
Interest Paid	31-33 219.253	925.168
NET DECREASE/INCREASE IN CASH AND CASH EQUIVALENTS BEFORE CURRENCY TRANSLATION DIFFERENCES	(10.181.921)	12.276.275
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10.181.921)	12.276.275
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6 13.686.027	1.409.752
CASH AND CASH EQUIVALENTS AT END OF PERIOD	6 3.504.106	13.686.027

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



DESPEC BİLGİSAYAR PAZARLAMA VE TİCARET A.Ş.
FINANCIAL STATEMENTS

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CHANGES IN SHAREHOLDER'S EQUITY
STATEMENT(TL)

Notes	Paid in Capital	Capital Translation Differences	Share Buyback	Share Premiums/ Discounts	Other Comprehensive Income/(Expense) not to be Reclassified to Profit or Loss		Other Comprehensive Income/(Expense) to be Reclassified to Profit or Loss			Accumulated Profit		Net Current Year Profit / (Loss)	Shareholder's Equity	
					Defined Benefit Plans and Revaluation and Gain/Loss Arising from Measurement	Other Gains/ (Losses)	Foreign Currency Translation Differences	Hedge Funds Gains/ (Losses)	Other Gains/ (Losses)	Restricted Reserves	Retained Earnings/Loss			
Audited														
January 1 ,2016	27	23.000.000	437.133	-	2.967.707	(41.172)	-	606.110	-	-	6.145.805	11.239.245	9.741.624	54.096.452
Transfers		-	-	-	-	-	-	-	-	-	1.164.832	8.576.792	(9.741.624)	-
Total Comprehensive Income		-	-	-	-	(9.689)	-	-	-	-	-	(8.576.792)	10.355.164	1.768.683
Net Current Profit		-	-	-	-	-	-	-	-	-	-	-	10.355.164	10.355.164
Other comprehensive income (Expense)		-	-	-	-	(9.689)	-	-	-	-	-	-	-	(9.689)
Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends Paid		-	-	-	-	-	-	-	-	-	-	(8.576.792)	-	(8.576.792)
December 31,2016	27	23.000.000	437.133	-	2.967.707	(50.861)	-	606.110	-	-	7.310.637	11.239.245	10.355.164	55.865.135
Audited														
January 1 ,2015	27	23.000.000	437.133	-	2.967.707	(32.310)	-	606.110	-	-	5.136.093	11.239.245	8.170.006	51.523.984
Transfers		-	-	-	-	-	-	-	-	-	1.009.712	7.160.294	(8.170.006)	-
Total Comprehensive Income		-	-	-	-	(8.862)	-	-	-	-	-	(7.160.294)	9.741.624	2.572.468
Net Current Profit		-	-	-	-	-	-	-	-	-	-	-	9.741.624	9.741.624
Other comprehensive income (Expense)		-	-	-	-	(8.862)	-	-	-	-	-	-	-	(8.862)
Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-
Dividends Paid		-	-	-	-	-	-	-	-	-	-	(7.160.294)	-	(7.160.294)
December 31,2015	27	23.000.000	437.133	-	2.967.707	(41.172)	-	606.110	-	-	6.145.805	11.239.245	9.741.624	54.096.452

The accompanying notes are integral parts of the financial statements.



DESPEC BİLGİSAYAR PAZARLAMA VE TİCARET ANONİM ŞİRKETİ

Accompanying Notes to the Financial Statements
(Amount, unless shown otherwise are stated in TL)

1 ORGANIZATION AND BUSINESS SEGMENTS

Despec Bilgisayar Pazarlama ve Ticaret A.Ş. (“Despec”, or “Company”), carries out distribution services of almost all kinds of Information Technology (“IT”) consumption products (toner, ink cartridge, printer tape, backup products, paper products, accessories and etc) to computer companies and office supply stores countrywide in Turkey through its well organized distribution network. The Company, which was established with the on January 4, 1995 changed its title to İndeks Teknolojik Ürünler Dağıtım A.Ş. on August 2,1995 and to Despec Bilgisayar Pazarlama ve Ticaret A.Ş. on October 10,1998. The company started its activities mainly towards the end of 1998. Despec Bilgisayar Pazarlama ve Ticaret A.Ş. carries out sales and distribution of the products in its portfolio through sales teams employed in branches in Head Office İstanbul, Ankara and İzmir using the warehouses in mentioned cities.

Company's share capital and ownership structure as of December 31, 2016 and December 31, 2015, are as follows:

Shareholder	December 31, 2016		December 31, 2015	
	Share Percentage%	Share Amount	Share Percentage%	Share Amount
Desbil Teknolojik Ürünler A.Ş.	% 30,24	6.956.268	% 30,24	6.956.268
Despec International FZCO	% 30,33	6.975.000	% 30,33	6.975.000
Public(*)	% 39,35	9.050.000	% 39,35	9.050.000
Other	% 0,08	18.732	% 0,08	18.732
Total	%100	23.000.000	%100	23.000.000

(*) 225.994 of public shares belong to Desbil Teknolojik Ürünler A.Ş.

Despec International FZCO was established in United Arab Emirates Dubai Jebel Free Zone in 1996 by Admiral Riyaz Jamal as subsidiaries and affiliated companies are operating in Middle East, Africa, and Turkey.

A major part of Despec sales consists of HP products (especially printer toners and cartridges). Other products distributed by the Company are of brands of Canon, Samsung, Steelseries, Epson, Oki, Xerox, IBM, Emtec, Lexmark, Trust, Targus, Jabra, Toshiba and Apple.

Company's branches in İzmir and Ankara, when its Headquarters office operations maintain in Kağıthane/İstanbul .

Significant risks relating to the sector are as follows:

a- Credit Risk: Capital structure of dealer channel, which is determined as classical dealer in distribution network is low. Not only the ownership these retailers (around 3.000) are handed over frequently, but also their closing and opening rates are significantly high.

b- Sectoral Competition: Manufacturing companies in operating sector are in intense competition in brand and product bases worldwide. The effects of competitive medium created by these companies also affect the prices in national markets. This creates significant risks to companies which don't have strong financial structures.

c- Foreign Exchange Rate Risk: Most of the IT byproducts are either imported or purchased domestically using foreign currencies or TL. During acquisition of products the companies are usually indebted in foreign currencies and payments are also made in same currencies. The companies which do not adopt their sales policies using currencies in which they purchase the products may encounter foreign exchange losses if rates increase.

d- The distribution agreements made with producers are not exclusive: There is no mutual exclusivity in distributorship agreements made with producer companies. In distributorship agreements according to market conditions producers can assign other distributorships, whereas in the meantime distributors can also sign distributorship agreements with other producers.



DESPEC BİLGİSAYAR PAZARLAMA VE TİCARET ANONİM ŞİRKETİ

Accompanying Notes to the Financial Statements

(Amount, unless shown otherwise are stated in TL)

Based on the facts that the Company is active in the sector for many years and maintains a high level of knowhow, the Company management considers the risk of agreement cancellation is extremely low.

e- Amendments made in import regimes: The amendments made by governments in some periods regarding import regimes may affect import both positively and negatively.

The addresses of the Company's main office and branches are as follows:

Main Office: Merkez Mah. Erseven Sok. No: 8/3 34406 Kağıthane / İSTANBUL. The Company also has branches in Ankara and İzmir.

Branch Addresses are as follows:

Ankara Branch: Çetin Emeç Bulvarı Öveçler 4.Cadde No:4/9 Dikmen/ANKARA

İzmir Branch: 1370 Sokak No: 26 35320 Çankaya/İZMİR

The average number of employees of the Company as of December 31, 2016 is 31.(December 31, 2015:30). All of the employees are assigned with administrative duties.

2 PRINCIPLES RELATED TO THE PRESENTATION OF THE FINANCIAL STATEMENTS

2.01 Basic Principles for the Presentation

The Company maintains its books of accounts and statutory financial statement in accordance with Turkish Commercial Code and accounting principles determined in tax legislations. Accompanying financial statements include adjustments and classifications made on legal books in line with the generally accepted accounting principles issued by Capital Markets Boards (CMB).

The accompanying financial statements are prepared in accordance with Capital Market Board's Communique "Principles of Financial Reporting in Capital Markets"("Communique") which was published in the Official Gazette dated June 13,2013 and numbered 28676 Series: II,No.14.1 and that communique was repealed.

The Company is applied in accordance with Turkish Accounting Standards / Turkish Financial Reporting Standards ("TAS / TFRS") and its addendum and interpretations issued by Public Oversight Accounting.In accordance with CMB's code article 14. Decisions are made as determining the implementation by committee for financial reporting principle,procedures and principles,providing apparentness and comprehensible or providing secure uniformity of implementation.Corporates are required to comply with this decision.

The accompanying financial statements are prepared in accordance with communiqué numbered II-14.1,financial statements and footnotes are presented according to the formats which must be applied dated June 7, 2014 by CMB.

In the scope of the related CMB's communiqué, the entities are allowed to prepare a complete or condensed set of interim financial statements in accordance with TAS 34, "Interim Financial Reporting". In this respect, the Company has preferred to prepare complete set of financial statements and prepared the aforementioned complete set of financial statements in compliance with POA Financial Reporting Standards.

The accompanying financial statements were approved by its Board of Directors for the period as of date February 24, 2017. Board of Directors has the authority to change the financial statements.

The non-monetary items present in the December 31, 2016 financial statements have been accepted as the USD currency until June 30, 2013. The transactions in the non-monetary items that take place after this date are recorded in TL due to the change in the functional currency to the TL currency.

2.02 Dealing with the Inflation Effects in Hyper-Inflationary Periods

According to the decision dated March 17, 2005 with No:11/367 made by the CMB, the inflation accounting is no longer effective for the periods after January 1, 2005 for the companies that are operating in Turkey and preparing financial statements in accordance with CMB standards. Therefore, practise of International Accounting Standards 29 "Financial Reporting on Hyper-Inflationist Economies" ended after January 01, 2005.



DESPEC BİLGİSAYAR PAZARLAMA VE TİCARET ANONİM ŞİRKETİ

Accompanying Notes to the Financial Statements

(Amount, unless shown otherwise are stated in TL)

2.03 Changes in Accounting Policies

The changes to the current accounting policies can be performed if it is necessary or the changes will provide more appropriate and reliable presentation of the transactions and events related to the financial position, performance and the cash flow of the Company that affect the financial statements of the Company. If the changes in accounting policies affects the prior periods, policy is applied to the prior period financial statements as if it is applied before. There were not any changes in accounting policies in the current period.

2.04 Changes in Accounting Estimates and Errors

Accounting estimates are made based on reliable information and using appropriate estimation methods. However, if new or additional information becomes available or the circumstances, which the initial estimates based on, change, then the estimates are reviewed and revised, if necessary. If the change in the accounting estimates is only related to a sole period, then only that period's financial statements are adjusted. On the other hand, if the amendments are related to the current as well as the forthcoming periods, then both current and forthcoming periods' financial statements are adjusted.

In instances where the accounting estimates affect both current and forthcoming periods, then description and monetary value of the estimate is disclosed in the notes to the financial statements. However; if the affect of the accounting estimate to the financial statement is not determinable, then it is not disclosed in the notes to the financial statements. The Company management uses accounting estimates related to issues such as determination of useful lives of tangible and intangible assets, actuarial assumptions used in termination indemnity calculation, provisions for pending law suits and proceedings in favor of and/or against the Company and provisions for decrease in value of inventories. Detailed explanations on the used estimates were made the following changes in the accounting estimates used in the related notes located below.

TAS 21 The Effects of Changes in Foreign Exchange Rates Standard defines that functional currency is the currency of the primary economic environment in which the entity operates. The primary economic environment in which an entity operates is normally the one in which it primarily generates and expends cash. An entity considers the following factors in determining its functional currency; the currency that mainly influences sales prices for goods and services (this will often be the currency in which sales prices for its goods and services are denominated and settled); and of the country whose competitive forces and regulations mainly determine the sales prices of its goods and services and the currency that mainly influences labor, material and other costs of providing goods or services (this will often be the currency in which such costs are denominated and settled). The Company Management reviews accounting estimations about functional currency and accounting policies in every period.

TAS 19 In accordance with the revised standard, actuarial gain / loss related to employee benefits which were stated in profit or loss in the previous periods were recognized in other comprehensive income.

Important Accounting Evaluations, Estimations and Assumptions

During preparation of financial statements Company management makes assumptions and estimates effecting the amounts of reported assets and liabilities, which effect contingent liabilities and commitments as of balance sheet date and income and expense items as of reporting period. Actual results may differ from the estimations made. Estimates are reviewed regularly and when it is required necessary adjustments are reflected to the financial statements in the period they are realized.

Assumptions made taking the basic reasons of interpretations, which can affect the amounts presented in the financial statements significantly and estimates which exist as of balance sheet date or are expected to occur in the future, into consideration, are explained in the following paragraphs:

- Actuarial assumptions relating to Termination Indemnity Liabilities (Discount rates, expected salary increases and reassignment rates of employees). (Note:24)
- The Company calculates depreciation according to straight line method according to the useful lives of fixed assets. The expected useful lives residual values and depreciation method is reviewed annually for



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any changes in estimates and proactively adjusted in case of any changes. There were not any changes in estimates related with depreciation calculations.(**Note:18-19**)

- The Company makes provision for receivable when there conditions indicate that collectability of these receivables are dubious whether there are not any legal processes initiated related to these receivables or not. The Company receives guarantees for receivables from companies which are considered to carry collection risks. (**Note:10**)
- The inventories are reflected to the financial statements with the lesser of cost or net realizable value. The effect of technological developments on the inventories of the company are taken into consideration during the calculation of impairment.(**Note:13**)
- The Company receives commissions from producer Company's according to sales or procurement volumes using predetermined commission rates. The commission incomes are recorded according to accrual basis. (**Note:26**)

2.05 Summary of Significant Accounting Policies

The significant accounting policies used in the preparation of the financial statements are as follows:

2.05.01 Revenue Recognition

The Company recognizes income in fair value according to the accrual basis, when the Company reasonably determines the income and economic benefit is probable.

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

- The significant risks and the ownership of the goods are transferred to the buyer;
- The Company refrains the managerial control over the goods and the effective control over the goods sold;
- The revenue can be measured reasonably;
- It is probable that the the economic benefits related to transaction will flow to the entity;
- The costs incurred or will be incurred in conjunction with the transaction can be measured reliably.

Interest income is accrued in the related period after discounting the cash inflows which will be received from the principal amount in the expected term using the efficient interest rate which discounts the mentioned cash inflows to recorded values.

When there is a significant amount of financing in sales, the fair value is determined by discounting the future cash flows using the embedded interest rate. The difference is reflected to the financial statements according to accrual basis.

Despec sales consists mainly of IT byproducts of HP (especially printer toners and cartridges).

Other products distributed by the Company are products of Canon, Samsung, Steelseries, Epson, Oki, Xerox, IBM, Emtec, Lexmark, Toshiba,Trust ve Targus and Apple. 90 % - 95 % of inventory purchases are provided from the first ten major suppliers. Purchases from HP cover approximately 60 % - 80 % of total inventory purchases.

A major part of procurements of the Company are made directly from producers. The fluctuations in prices which may occur according to market conditions are covered by producer companies to provide price competitiveness. Other than this, losses related to defect products are paid to the Company by producers. Moreover, related to massive procurement of Public Sector or Private Sector companies, special prices are provided by the producers and the best pricing conditions are offered to companies operating in these sectors. In line with the dynamic and changing structure of IT Sector, the Company is supported directly and continuously by producers regarding new products and technologies.

The Company markets and sells the products imported from producers companies, which the Company has signed distributorship agreements. All of the sales are made via retailer channel, which consists of approximately



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3.000 retailers, and there are no sales made directly to end users by the Company. Almost 50-65 % of the sales are made through ten major retailers.

When the products in inventories are sold with prices lower than acquisition costs in line with the demand of producers according to their marketing strategies, there are payments made with the explanation of inventory protection. These payments are deducted from the cost of inventories. On the other hand sales commissions obtained in line with the sales volumes are added to sales.

2.05.02 Inventory Valuation

Inventories are stated either at the lower of acquisition cost or net realizable value. The Company's inventories consist of cartridge, toner, tape and paper. The inventory costing method used by the Company is "First in First out (FIFO)". Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

The Company also calculates net realizable values of commercial goods and reflects provision for decrease in value when there are indications of value decrease. (Not:13)

2.5.03 Tangible Fixed Assets

For Assets acquired in and after 2005, the tangible assets are reflected to the financial statements by deducting their accumulated depreciation from their cost. For assets that were acquired before January 01, 2005, the tangible fixed assets are presented on the financial statements based on their cost value, which is adjusted according to the inflationary effects as of December 31, 2004. Depreciation is calculated using the straight-line method based on their useful lives. The following rates, determined in accordance with the useful lives of the fixed assets, are used in calculation of depreciation.

	<u>Useful Lives (year)</u>
- Furniture's and Fixtures	4-10
- Motor Vehicles	5-10
- Leasehold Improvements	5-10
- Rights	5-15

If the carrying amount of a tangible asset is more than the expected recoverable amount, the net book value is decreased to recoverable amount by making provision.

The profit and loss arisen from fixed asset sales are determined by comparing the net book value with the sales price and the difference is recorded as operating profit or loss.

2.05.04 Intangible Assets

Intangible assets acquired before January 01, 2005 are carried at acquisition costs adjusted for inflation; whereas those purchased in and purchased after January 01, 2005 are carried forward at their acquisition cost less accumulated amortization.

Intangible fixed assets comprise of information systems and software rights expenses. Amortization is calculated using the straight-line method between 3 and 10 years period.

2.05.05 Leasing

The Company does not have any financial leasing transaction. The Company is lessee of various operational leases. In operational leases the lessor retains the significant risks and benefits related to the leased asset. Expenses incurred relating to these leases is recorded as expense in the income statement according to straight line method. The most important operational leasing of the Company is the rent for Company center from the related İndeks Bilgisayar Sistemleri Mühendislik Sanayi Ticaret A.Ş. (İndeks A.Ş.) Leasing process is carried out an annual and rents are invoiced as a monthly by İndeks A.Ş. Company's logistic servise is invoiced as a monthly by Teklos Teknoloji Lojistik Hizmetleri A.Ş. (Teklos A.Ş.). The purchases from related parties are disclosed in **Note: 37**.



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2.05.06 Impairment of Assets

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

2.05.07 Borrowings Costs

The borrowing costs are recognized as expense when they are incurred. Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of that asset. The capitalization of borrowing costs as part of the cost of a qualifying asset shall commence, when expenditures and borrowing costs for the asset are incurred, continues until that asset becomes available for sale. Expenditures on a qualifying asset include only those expenditures that have resulted in payments of cash, transfers of other assets or the assumption of interest-bearing liabilities. There are no capitalized borrowing costs in current period related to qualifying assets.

2.05.08 Financial Instruments

(i) Financial Assets

Investments are recognized and derecognized on trade date where the purchase or sales of an investment is under a contract, whose terms require delivery of the investment within the timeframe established by the market concerned and are initially measured at fair value, net of transaction costs except for those financial assets classified as fair value through profit or loss which are initially measured at fair value. Other financial assets are classified as "financial assets, whose fair value differences are reflected to the profit or loss", "financial assets held to the maturity", "financial assets available for-sale" and "loans and receivables".

Prevailing Interest Method

Prevailing interest method is the valuation of financial asset with their amortized cost and allocation of interest income to the relevant period. Prevailing interest rate is that discounts the estimated cash flow for the expected life of financial instrument or where appropriate a shorter period. Income related to financial assets, except the "financial assets, whose fair value differences are reflected to the profit or loss", is calculated by using the prevailing interest rate.

a) Financial Assets Whose Fair Value Differences Are Reflected to the Profit or Loss

"Financial assets whose fair value differences are reflected to the profit or loss", are the financial assets that are held for trading purposes. If a financial asset is acquired for trading purposes, it is classified in this category. Also, derivative instruments, which are not exempt from financial risk, are also classified as "Financial assets whose fair value differences are reflected to the profit or loss". These financial assets are classified as current assets.

b) Financial Assets Which Will Be Held to the Maturity

Debt instruments, which the Company has the intention and capability to hold to maturity, and/or have fixed or determinable payment arrangement are classified as "Investments Held to the Maturity". Financial asset that will be held to the maturity, are recorded after deducting the impairment from the cost basis, which has been amortized with prevailing interest method. All relevant income is calculated using the prevailing interest method.

c) Financial Assets Available-For-Sale

Financial assets, which are "Available-for-Sale" are either (a) financial assets, which will not be held to maturity or (b) financial assets, which are not held for trading purposes. Financial assets Available-for-Sale are recorded



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with their fair value if their fair value can be determined reliably. Marketable securities are shown at their cost basis unless their fair value can be reliably measured or have an active trading market. Profit or loss pertaining to the financial assets Available-for-Sale is not recorded on the income statement. The fluctuation in the fair value of these assets are shown in the statement of shareholders' equity. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognized is included in profit or loss for the period. Provisions recorded in the income statement pertaining to the impairment of financial asset Available-for-Sale can not be reversed from the income statement in future periods. Except equity instruments classified as available-for-sale, if impairment loss decreases in next period and if therein decreasing can be related to an event occurred after the accounting of impairment loss, impairment loss accounted before, can be cancelled in income statement. The Company classified all of the existing financial assets as Available for Sale Financial Assets. Company's as of period is not available financial asset for sale.

d) Loans and Receivables

Trade receivables, other receivables, and loans are initially recognized at their fair value. Subsequently, receivables and loans are measured at amortized cost using the effective interest method. In the case of interest on loans and receivables negligible, registered value of loan and receivables is accepted as fair value.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are assessed for indication of impairment at each statement of financial position date. Financial assets are impaired, where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced with the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are reversed against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

With respect to available-for-sale equity securities, any increase in fair value subsequent to an impairment loss is recognized directly in equity.

Cash and Cash Equivalents

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

(ii) Financial Liabilities

Financial liabilities and equity instruments are classified based on arrangements according to the agreement, and definition of financial liability and equity instrument. Agreement which embodies right of assets after deducting all the liabilities, is a financial instrument based on equity. Accounting policies for the financial liabilities and the financial instruments based on equity are determined below.

Financial liabilities are classified as financial liabilities whose fair value differences are reflected to the profit / (loss) or other financial liabilities.



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a) Financial Liabilities Whose Fair Value Differences Are Reflected to the Profit / (Loss)

“Financial liabilities whose fair value differences are reflected to the profit /loss” are recorded at fair value and are re-evaluated at the end of each balance sheet date. Changes in fair value are recognized in the income statement. Recognized net earnings and/or losses in the income statement also include interest payments made for this financial liability.

b) Other Financial Liabilities

None.

2.05.09 Effects of Currency Fluctuations

All transactions, denominated in foreign currencies, are converted into TL by the exchange rate ruling at the transaction date. All foreign currency denominated monetary assets and liabilities stated at the balance sheet are converted into TL by the exchange rate ruling at the balance sheet date.

2.05.10 Earnings per Share

Earnings per share in the income statement is calculated by dividing net income by the weighted average number of common shares outstanding for the period. In Turkey, companies are allowed to increase their share capital by distributing “bonus shares” from retained earnings. These bonus shares are deemed as issued shares while calculating the net earnings per share.

Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this calculation.

2.05.11 Events after the Balance Sheet Date

Events after the Balance Sheet Date cover all events that occur between the balance sheet date and the publication date of the financial statements. If there is substantial evidence that the subsequent events existed or arose after the balance sheet date, these events are disclosed and explained in the notes to the financial statements. **(Note: 40)**

The Company adjusts its financial statements if the above-explained subsequent events require any adjustments.

2.05.12 Provisions, Contingent Liabilities and Assets

A provision is recognized when an entity has a present obligation (legal or constructive) as a result of a past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and reliable estimate can be made of the amount of the obligation.

Contingent liabilities and assets are not reflected to financial statements but disclosed in the notes to the financial statements. The entity recognizes a provision for the part of the obligation, for which an outflow of resources embodying economic benefits is probable, except in the extremely rare circumstances where no reliable estimate can be made.

2.05.13. Related Parties

IAS 24 “Related Parties” defines related parties as the parties which can control the counterparty directly or indirectly through share ownership, rights based on agreement, family relation and etc. or which can affect the decisions of the counterparty significantly. Shareholders and Company management is also considered as related parties. Transactions held with related parties comprise of transfer of resources and liabilities between related parties with or without value.

In the accompanying financial statements shareholders, companies which are indirectly in capital relation with the Company, board of director’s members, senior managers and other administrative senior personnel are considered as related parties. Including any manager of the Company (administrative or other), administrative senior personnel are the personnel who have direct or indirect authority and responsibility for activity planning, management and control. Transactions with related parties are disclosed in **Note: 37.**



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2.05.14 Taxation and Deferred Tax

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

Current tax

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

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the period

Current and deferred tax are recognized as an expense or income to the income statement, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in the equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over cost.

Taxes stated in financial statements contain changes in current and deferred taxes for the period. Company calculates current period tax and deferred tax over the period results.

Offsetting Tax Income and Liabilities

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Corporate tax amounts are offset with prepaid corporate tax as they are related. Deferred tax assets and liabilities are also offset.



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2.05.15 Retirement Pay

According to Turkish Labor Law, employee termination benefit is reflected in the financial statements, when the termination indemnities are deserved. Such payments are considered as being part of defined retirement benefit plan as per TAS No.19 "Employee Benefits".

The retirement benefit obligation recognized in the financial statements represents the present value of the defined benefit obligation as adjusted for unrecognized gains and losses. Interest cost included in retirement pay is presented in retirement pay expense in the income statement.

2.05.16 Cash flow statement

Cash and cash equivalents are stated at their fair values in the balance sheet. The cash and cash equivalents comprises cash in hand, bank deposits and highly liquid investments.

On cash flow statement, the Company classifies period's cash flows as operating, investment and financing activities. Cash inflow provided from operating activities denotes cash inflow provided from main activities of the Company.

Cash flow concerned with investment activities shows cash used and provided from investment activities (asset investments and financial investments).

Cash flow concerned with investment activities represents sources used from financial activities and pay-back of these funds.

2.06 Comparative Information and Adjustment of the Previous Period Financial Statements

The comparative financial statements have been presented to enable to perform the financial position and the performance trend analysis. All necessary adjustments are made in previous financial statements to present consistent and comparative financial statements, if required.

2.07 Offsetting

The financial assets and liabilities in the financial statements are offset and the net amount reported in the balance sheet, where there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.08 Investment Property

Investment property is classified as property which is held where the main objective is for rent and/or capital gains income. As of the date of the balance sheet the investment property has been reflected in the attached financial tables based on their acquisition price. The company's investment property consists of land (**Note: 17**).

2.09 New and Revised International Financial Reporting Standards

i) Summary of the new standards, amendments, interpretations and resolutions which are effective as at January 1, 2016;

IAS 1 "Presentation of Financial Statements" (Amendment): Those amendments include narrow-focus improvements in the following five areas: Materiality, disaggregation, and subtotals, notes structure, the disclosure of accounting policies, presentation of items of other comprehensive income arising from equity accounted investments. The amendments will be applied prospectively.

IAS 27 "Separate Financial Statements" (Amendment): The amendment address the option to use the equity method to account for investments in subsidiaries and associates in an entity's separate financial statements. Therefore, an entity must account for these investments either; at cost, in accordance with IFRS 9 (or IAS 39) or using the equity method the entity must apply the same accounting for each category of investments. The amendments will be applied prospectively.



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TAS 16 “Property, Plant and Equipment” and TAS 38 “Intangible Assets” (Amendment) : The amendments , have prohibited the use of revenue-based depreciation for property, plant and equipment and significantly limiting the use of revenue-based amortization for intangible assets. The amendments will be applied prospectively.

TAS 16 Property, Plant and Equipment and TAS 41 Agriculture: Bearer Plants (Amendments) TAS 16 is amended to provide guidance that bearer plants, such as grape vines, rubber trees and oil palms should be accounted for in the same way as property, plant and equipment in TAS 16. Once a bearer plant is mature, apart from bearing produce, its biological transformation is no longer significant in generating future economic benefits. The only significant future economic benefits it generates come from the agricultural produce that it creates. Because their operation is similar to that of manufacturing, either the “cost model” or “revaluation model” should be applied. The produce growing on bearer plants will remain within the scope of TAS 41, measured at fair value less costs to sell. The amendments will be applied prospectively.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments) Amendments issued to TFRS 10 and TAS 28, to address the acknowledged inconsistency between the requirements in TFRS 10 and TAS 28 in dealing with the loss of control of a subsidiary that is contributed to an associate or a joint venture, to clarify that an investor recognises a full gain or loss on the sale or contribution of assets that constitute a business, as defined in TFRS 3, between an investor and its associate or joint venture. The gain or loss resulting from the re-measurement at fair value of an investment retained in a former subsidiary should be recognized only to the extent of unrelated investors’ interests in that former subsidiary. The amendments will be applied prospectively on January 1, 2016 and next periods. Effective date was delayed indefinitely by IACB on December 15, 2015.

TFRS 10, TFRS 12 and TAS 28: Investment Entities: Applying the Consolidation Exception (Amendments to TFRS 10 and TAS 28) Amendments issued to TFRS 10, TFRS 12 and TAS 28, to address the issues that have arisen in applying the investment entities exception under TFRS 10 Consolidated Financial Statements. The amendments will be applied retrospectively.

TFRS 11 “Accounting for Acquisition of Interests in Joint Operations” (Amendment): The amendments clarify whether TFRS 3 Business Combinations applies when an entity acquires an interest in a joint operation that meets that standard’s definition of a business. The amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business. The amendments will be applied prospectively.

IFRS 14 “Regulatory Deferral Accounts”:The standard permits first-time adopters of IFRS to continue using previous GAAP to account for regulatory deferral account balances The amendments will be applied prospectively.

Annual Improvements to TAS/TFRS

In September 2014, Public Oversight Authority (POA) has been improved and updated the below amendments to the standards in relation to “Annual Improvements – 2012-2014 Cycle”.

Annual Improvements 2012-2014 Cycle

TAS 19 Employee Benefits (Amendment) The rate used to discount post-employment benefit obligations (both funded and unfunded) shall be determined by reference to market yields at the end of the reporting period on high quality corporate bonds. In countries where there is no deep market in such bonds, the market yields (at the end of the reporting period) on government bonds shall be used. The currency and term of the corporate bonds or government bonds shall be consistent with the currency and estimated term of the post-employment benefit obligations. That amendment clarifies that market depth of high-quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. The amendments will be applied prospectively.

TAS 34 Interim Financial Reporting (Amendment) which clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included in the interim financial report. The amendments will be applied retrospectively.



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TFRS 5 Non-current Assets Held for Sale and Discontinued Operations (Amendment) which clarifies that changes in methods of disposal (through sale or distribution to owners) would not be considered a new plan of disposal, rather it is a continuation of the original plan. The amendments will be applied prospectively.

TFRS 7 Financial Instruments: Disclosures (Amendment) which clarifies that a) the assessment of servicing contracts that includes a fee for the continuing involvement of financial assets in accordance with TFRS 7; b) the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. The amendments will be applied retrospectively.

ii) **The new standard, Amendments, and interpretations that are not effective or an early adoption is not used by the Group as of December 31, 2016, are as follows:**

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

IFRS 15 “Revenue from Contracts with Customers” : In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers. The new five-step model in the standard provides the recognition and measurement requirements of revenue. The standard applies to revenue from contracts with customers and provides a model for the sale of some non-financial assets that are not an output of the entity’s ordinary activities (e.g., the sale of property, plant and equipment or intangibles). IFRS 15 is effective for reporting periods beginning on or after January 1, 2018, with early adoption permitted. Entities will transition to the new standard following either a full retrospective approach or a modified retrospective approach. The modified retrospective approach would allow the standard to be applied beginning with the current period, with no restatement of the comparative periods, but additional disclosures are required.

iii) **Summary of the new standards, amendments, and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by POA:**

The following standards, interpretations, and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the consolidated financial statements. However, these standards, interpretations, and amendments to existing IFRS standards are not yet adopted/issued by the POA, thus they do not constitute part of TFRS.

IFRS 10 and IAS 28: “Sale or Contribution of Assets between an Investor and its Associate or Joint Venture” (Amendments): In December 2015, the IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.

IAS 7 'Statement of Cash Flows (Amendments): In January 2016, the IASB issued amendments to IAS 7 'Statement of Cash Flows'. The amendments are intended to clarify IAS 7 to improve the information provided to users of financial statements about an entity's financing activities. The improvements to disclosures require companies to provide information about changes in their financing liabilities. These amendments are to be applied for annual periods beginning on or after 1 January 2017 with earlier application permitted. It is not applied as retroactive applications. Earlier application is permitted.



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IAS 12 Income Taxes (Amendments): Recognition of Deferred Tax Assets for Unrealized Losses (Amendments) In January 2016, the IASB issued amendments to IAS 12 Income Taxes. The amendments clarify how to account for deferred tax assets related to debt instruments measured at fair value. The amendments clarify the requirements on recognition of deferred tax assets for unrealized losses, to address diversity in practice. These amendments are to be retrospectively applied for annual periods beginning on or after 1 January 2017 with earlier application permitted.

IFRS 16 Leases: In January 2016, the IASB has published a new standard, IFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. IFRS 16 supersedes IAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

IFRS 2 Classification and Measurement of Share-based Payment Transactions (Amendments) The IASB issued amendments to IFRS 2 Share-based Payment, clarifying how to account for certain types of share-based payment transactions. The amendments, provide requirements on the accounting for the effects of vesting and non-vesting conditions on the measurement of cash-settled share-based payments, share-based payment transactions with a net settlement feature for withholding tax obligations, and vesting-non-vesting modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

IFRS 4 "Insurance contracts" (Amendments): Regarding the Implementation of IFRS 9 'Financial Instruments', effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard, IAS 39. These amendments are to be retrospectively applied with earlier application permitted.

IAS 40 "Investment Property" (Amendments): The IASB issued amendments to IAS 40 "Investment Property". The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (Interpretation): The interpretation clarifies the accounting for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation states that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. An entity is not required to apply this Interpretation to income taxes; or insurance contracts (including reinsurance contracts) it issues or reinsurance contracts that it holds. The interpretation is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted.

Annual Improvements to IFRSs - 2014-2016 Cycle

The IASB issued Annual Improvements to IFRS Standards 2014–2016 Cycle, amending the following standards:

IFRS 1 "First-time Adoption of International Financial Reporting Standards" (Amendment): This amendment deletes the short-term exemptions about some IFRS 7 disclosures, IAS 19 transition provisions and IFRS 10 Investment Entities. These amendments are to be applied for annual periods beginning on or after 1 January 2018.

IFRS 12 "Disclosure of Interests in Other Entities" (Amendment): This amendment clarifies that an entity is not required to disclose summarised financial information for interests in subsidiaries, associates or joint



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ventures that is classified, or included in a disposal group that is classified, as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. These amendments are to be applied for annual periods beginning on or after 1 January 2017.

IAS 28 “Investments in Associates and Joint Ventures” (Amendment): This amendment clarifies that the election to measure an investment in an associate or a joint venture held by, or indirectly through, a venture capital organisation or other qualifying entity at fair value through profit or loss applying IFRS 9 Financial Instruments is available for each associate or joint venture, at the initial recognition of the associate or joint venture. These amendments are to be applied for annual periods beginning on or after 1 January 2018. Earlier application is permitted.

The Company is in the process of assessing the impact of the interpretation on financial statements of the company.

3 BUSINESS COMBINATIONS

None.

4 BUSINESS ASSOCIATIONS

None.

5 REPORTING FINANCIAL INFORMATION BY SEGMENTS

The Company operates solely in information technologies sector and Company management considers that segment reporting is not required.

6 CASH AND CASH EQUIVALENTS

Cash and Cash Equivalents for the periods ended are as follows:

Account Name	December 31, 2016	December 31, 2015
Cash	44.834	84.439
Bank(Demand Deposit)	3.396.495	3.353.529
Financial Assets Which Will Be Held to the Maturity (Reverse Repo)	-	9.717.373
Credit Card Slips	62.777	531.108
Total	3.504.106	13.686.449

The company has no maturity of the reverse repos as of December 31, 2016.

Maturity of the reverse repo is 4 days and TL 422 in December 31, 2015 interest accrual has been made. Reverse repo is made in USD and TL. Interest rate of USD is % 0,21-% 0,72 and TL's % 6,38-% 7,65 .

The cash and cash equivalents balance shown in the statement of cash flows is net of interest income accruals, as follows:

Account Name	December 31,2016	December 31,2015
Cash and Cash equivalents	3.504.106	13.686.449
Interest Income Accruals (-)	-	(422)
Total	3.504.106	13.686.027

Company does not have any term or blocked account. Generally the payments received by credit cards are collected from bank in the following days after the sales. Gain/Loss in exchange differences are reported in Financial Gain/Loss account in Financial Statements.



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7 FINANCIAL INVESTMENTS

The company's short-term and long-term financial investments are as follows:

Account Name	December 31, 2016	December 31, 2015
Stock (Indeks) (*)	115.680	87.878
Long Term Securities (**)	10.190	10.190
Total	125.870	98.068

(*)The Indeks Bilgisayar Sistemleri Mühendislik Sanayi ve Ticaret A.Ş shares found in the above mentioned short term financial investment have been valued based on their market price and have been recorded in the financial statements accordingly.

According to IFRS 13 *Fair Value Measurement Standard*, when measuring for fair value and relating explanations, in order to increase consistency and comparison, a fair value hierarchy has been created in order to categorize the valuation methods used. Level 1 inputs are based off of comparing the Company's assets with similar assets or comparing their liabilities with active market quotes. When evaluating the Company's shares the 2. Session of the BIST on December 31, 2016 was used as a basis for measurement.

(**)1.000 shares of İnterpromedya Yayıncılık Etkinlik Yönetim ve Pazarlama A.Ş. was purchased for TL 10.000 during 2011. The share capital of İnterpromedya A.Ş. is TL 500.000 and the Company has a share percentage of 0,2 %.

The movement of the Company's Long-Term Financial Asset and Investments are as below:

Account Name	December 31, 2016	December 31, 2015
Appreciation of Financial Asset	10.190	10.190
Total	10.190	10.190

8 SHORT-TERM and LONG-TERM FINANCIAL LIABILITIES

December 31, 2016

The Company has no Short-Term Liability and no Long-Term Liability as of December 31, 2016

December 31, 2015

The Company has no Short-Term Liability and no Long-Term Liability as of December 31, 2015

9 OTHER FINANCIAL LIABILITIES

None.

10 TRADE RECEIVABLES AND PAYABLES

Short-Term trade receivables as of December 31, 2016 and December 31, 2015 are as follows:

Account Name	December 31, 2016	December 31, 2015
Trade Receivables	34.711.321	26.359.456
<i>Related Parties (Not:37)</i>	29.672	198
<i>Other Receivables</i>	34.681.649	26.359.258
Notes Receivables	13.679.287	15.967.516
Rediscount on Notes Receivables (-)	(426.715)	(491.574)
Doubtful Receivables	1.572.830	1.515.704
Provision for Doubtful Receivables (-)	(1.572.830)	(1.515.704)
Total	47.963.893	41.835.398



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TL 14.671.516 of the total trade receivables in the amount of TL 47.963.893, and TL 23.487.326 of the total receivables in the amount of TL 41.835.398 (Eular Hermes guarantee amount is included.) are under guarantee as of December 31, 2016 and December 31, 2015 respectively. The detailed information relating to quality and level of trade receivables are disclosed in **Note: 38**.

The company has a receivables insurance policy with Euler Hermes Sigorta A.Ş for the accounts receivable which are found within the borders of Turkey.

- Policy is between on April 1, 2016-March 31, 2017
- Damages in policy is stated in USD.
- Guarantee proportion is determined % 90 for trade receivables credit limit which are demanded.
- Amount of Euler Hermes guarantee as of December 31,2016 is TL 12.270.495.

Provision for Doubtful Receivables summarize table is below:

	January 1,2016 December 31, 2016	January 1,2015 December 31, 2015
Opening Balance	1.515.704	1.501.631
Cancellation of Provision in the Period /Collections (-)	-	(1.450)
Period Expense (-)	57.126	15.523
Closing Balance	1.572.830	1.515.704

The maturities of trade receivables which is overdue and there is not decline in value are as follows;

	December 31, 2016	December 31, 2015
0-3 months	215.999	256.628
3-12 months	180.870	101.112
1-5 years	-	-
Total	396.869	357.740

Short – Term Trade payables for the periods ended are as follows:

Account Name	December 31, 2016	December 31, 2015
Trade Payables	27.101.645	14.757.523
<i>Other Trade Payables</i>	26.682.272	14.246.884
<i>Related Parties (note: 37)</i>	419.373	510.639
Notes Payables	-	10.402.568
Rediscount on Notes Payables(-)	(206.800)	(198.138)
Total	26.894.845	24.961.953

Company's Long-Term Trade Payable for periods ended are not available.

The average term of collection of trade receivables varies between 60-80 days. The average term of payments varies between 30-40 days. Compound interest rate of domestic government bonds is used as prevailing interest rate for rediscount of trade receivables and payables in TL. Also Libor and Eurobond are used for trade receivables and payables in USD and EURO.

11 OTHER RECEIVABLES AND PAYABLES

Short-term other receivables for the years ended are as follows:

Account Name	December 31, 2016	December 31, 2015
Due from Personnel	8.466	4.646
Other Related Parties Receivables (Note:37)	-	55.535
Deposits and Guarantees Given	30.881	30.881
Total	39.347	91.062

Company's Long-Term Other Receivable for periods ended are not available.

The quality and level of risks in other receivables are explained in **Note: 38**.



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Short-term other payables for the years ended are as follows:

Account Name	December 31, 2016	December 31, 2015
Taxes, and Duties Payables	87.429	356.847
Non-commercial Payables to Related Parties (Note:37)	-	19.122
Total	87.429	375.969

12 DERIVATIVE INSTRUMENTS

Derivative Financial Instruments located within Current Assets are as follows;

Account Name	December 31, 2016	December 31, 2015
Derivative Financial Instruments Receivables	238.579	-
Total	238.579	-

As of December 31, 2016, Group has made foreign exchange purchase contracts for the amounts of USD 3.488.460 and EURO 254.954 . The maturity of the contracts is 0-3 months. The fair value of the contracts as of December 31, 2016 is TL 12.983.863 and the total amount of valuation difference is TL 238.579 is recognized in the statement of profit or loss.

Short-term liabilities for derivative financial assets are as follows:

Account Name	December 31, 2016	December 31, 2015
Derivative Financial Payables	-	69.748
Total	-	69.748

As of December 31, 2015, Group has made foreign exchange purchase contracts for the amounts of USD 3.037.510 and EURO 1.811.697 . The maturity of the contracts is 0-3 months. The fair value of the contracts as of December 31, 2015 is TL 14.658.460 and the total amount of valuation difference is TL 69.748 is recognized in the statement of profit or loss.

13 INVENTORIES

Inventories for the periods ended are as follows:

Account Name	December 31, 2016	December 31, 2015
Commercial Goods	24.685.717	18.233.856
Goods in Transit	3.347.700	917.939
Decrease in Value of Inventory (-)	(1.617.951)	(1.314.198)
Total	26.415.466	17.837.597

As of December 31,2016 **TL 3.834.671** (December 31,2015 **TL 3.918.000**)is reflected to financial statements with their net realizable values. The remaining inventories are presented at cost.

Inventories whose invoices are received at an earlier date than their physical entry in the warehouses are classified under the account "Goods in Transit"

Provision for Impairment of Inventory:

	January 1, 2016 December 31, 2016	January 1, 2015 December 31, 2015
Opening Balance (-)	(1.314.198)	(775.151)
Cancellation of Provision Due to Increase in Net Realizable Value Net (+)	-	-
Provision for the Period(-)	(303.753)	(539.047)
Balance at the end of year (-)	(1.617.951)	(1.314.198)



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The inventories are presented with the lesser of cost and net realizable value in the financial statements.

There are not any inventories given as a guarantee for payables. The information related to the insurance coverage on assets is disclosed in **Note: 22**

TL 177.397.621 and **TL 161.664.726** are the costs of goods sold as of December 31,2016 and December 31, 2015 respectively.

Explanation	December 31, 2016	December 31, 2015
Cost	5.452.622	5.232.198
Provision for Value Decrease in Inventories	1.617.951	(1.314.198)
Net Realizable Value (a)	3.834.671	3.918.000
Inventory presented with its cost value (b)	22.580.795	13.919.597
Total Inventories (a+b)	26.415.466	17.837.597

14 BIOLOGICAL ASSETS

None.

15 PREPAID EXPENSES AND DEFERRED INCOME

Short-Term :

Short-term prepaid expenses as of December 31, 2016 and December 31, 2015 are as follows:

Account Name	December 31, 2016	December 31, 2015
Prepaid Expenses for Following Months	84.291	142.982
Advances Given	1.778.258	6.362.784
Total	1.862.549	6.505.766

Deferred Incomes as of December 31, 2016 and December 31, 2015 are as follows:

Account Name	December 31, 2016	December 31, 2015
Advances Received	412.759	265.443
Income for the following Months	499.954	
Total	912.713	265.443

Long-Term :

Company has no prepaid expenses as of December 31, 2016 and December 31, 2015.

Company has no deferred incomes as of December 31, 2016 and December 31, 2015.

16 INVESTMENTS EVALUATED BY EQUITY METHOD

None.

17 INVESTMENT PROPERTY

The Company's Investment Properties are as follows:

Account Name	December 31, 2016	December 31, 2015
Lands	18.280	18.280
Total	18.280	18.280

Account Name	January 1, 2016	Purchases	Disposals	December 31, 2016
Lands	18.280	-	-	18.280
Total	18.280	-	-	18.280



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Account Name	January 1, 2015	Purchases	Disposals	December 31, 2015
Lands	18.280	-	-	18.280
Total	18.280			18.280

The investment property of the Company consists of the land located in Mersin the Company adopted cost method for evaluation of investment properties. There are not any liens on investment properties. The Company does not receive any rent income from this property. According to the inspection made by the Company management in the area in which the land is located, the current value is estimated to be between TL 20.000 – TL 25.000

18 TANGIBLE ASSETS

Tangible Assets for the periods ended are as follows:

Account Name	December 31, 2016	December 31, 2015
Cost	1.004.357	873.709
Accumulated Depreciation	(748.715)	(608.366)
Total	255.642	265.343

December 31, 2016

Cost

Account Name	January 1, 2016	Acquisitions	Disposals (-)	December 31, 2016
Vehicles	132.121	-	-	132.121
Furniture & Fixtures	298.836	130.648	-	429.484
Leasehold Improvements	442.752	-	-	442.752
Total	873.709	130.648		1.004.357

Accumulated Depreciation

Account Name	Period			December 31, 2016
	January 1, 2016	Depreciation	Disposals (-)	
Vehicles	95.679	25.721	-	121.400
Furniture & Fixtures	253.781	53.243	-	307.024
Leasehold Improvements	258.906	61.385	-	320.291
Total	608.366	140.349		748.715
Net Value	265.343			255.642

December 31, 2015

Cost

Account Name	January 1, 2015	Acquisitions	Disposals (-)	December 31, 2015
Vehicles	132.121	-	-	132.121
Furniture & Fixtures	288.777	10.059	-	298.836
Leasehold Improvements	442.752	-	-	442.752
Total	863.650	10.059		873.709



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Accompanying Notes to the Financial Statements

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Accumulated Depreciation

Account Name	January 1, 2015	Period		December 31, 2015
		Depreciation	Disposals (-)	
Vehicles	69.957	25.722	-	95.679
Furniture & Fixtures	228.540	25.241	-	253.781
Leasehold Improvements	187.244	71.662	-	258.906
Total	485.741	122.625	-	608.366
Net Value	377.909			265.343

Other Information:

Depreciation and amortization expenses are recorded under operational expenses. The insurance coverage on assets is disclosed in **Note: 22**. There are not any liens or other restrictions on assets.

19 INTANGIBLE ASSETS

The Company's Intangible Assets as of the end of the period is as follows:

Account Name	December 31, 2016	December 31, 2015
Cost	509.305	166.164
Accumulated Depreciation	(171.479)	(144.828)
Total	337.826	21.336

December 31, 2016

Cost

Account Name	January 1, 2016	Acquisitions	Disposals (-)	December 31, 2016
Other Intangible Assets	166.164	343.141	-	509.305
Total	166.164	343.141	-	509.305

Accumulated Depreciation

Account Name	January 1, 2016	Period Depreciation	Disposals	December 31, 2016
Other intangible Assets	144.828	26.651	-	171.479
Total	144.828	26.651	-	171.479

Net Value	21.336			337.826
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December 31, 2015

Cost

Account Name	January 1, 2015	Acquisitions	Disposals (-)	December 31, 2015
Other Intangible Assets	151.164	15.000	-	166.164
Total	151.164	15.000	-	166.164

Accumulated Depreciation

Account Name	January 1, 2015	Period Depreciation	Disposals	December 31, 2015
Other intangible Assets	140.991	3.837	-	144.828
Total	140.991	3.837	-	144.828

Net Value	10.173			21.336
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Depreciation and amortization expenses are recorded under operational expenses.



DESPEC BİLGİSAYAR PAZARLAMA VE TİCARET ANONİM ŞİRKETİ

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20 PAYABLES RELATED TO EMPLOYEE BENEFITS

Payables Related to Employee Benefits as of December 31,2016 and December 31,2015 are as follows:

Account Name	December 31, 2016	December 31, 2015
Social Security Institution Payable	100.538	45.623
Total	100.538	45.623

21 GOVERNMENT GRANT AND ASSISTANCE

None.

22 PROVISIONS, CONTINGENT LIABILITIES AND ASSETS

i) Provisions

Account Name	December 31, 2016	December 31, 2015
Provisions for Price Differences	1.121.027	961.178
Provision for Litigations	35.012	-
Total	1.156.039	961.178

December 31, 2016	Provision for Litigations	Provisions for Price Differences	Total
As of January 1	-	961.178	961.178
Additional Provisions	35.012	1.121.027	1.156.039
Payment	-	(961.178)	(961.178)
Total	35.012	1.121.027	1.156.039

December 31, 2015	Provision for Litigations	Provisions for Price Differences	Total
As of January 1	-	1.197.448	1.197.448
Additional Provisions	-	961.178	961.178
Payment	-	(1.197.448)	(1.197.448)
Total	-	961.178	961.178

ii) Contingent Assets and Liabilities:

Lawsuits against the Company

For the lawsuits initiated against Company, provision is made in financial statements in the amount of **TL 35.012**.

Lawsuits filed by the Company

For litigations filed by the Company, provision is made in financial statements in the amount of **TL 1.572.830**.
(December 31,2015: **TL 1.572.830**)

iii) Commitments not presented in the Liabilities of the Statement of Financial Position:

December 31,2016

	TL	USD	EURO
Guarantee Letters Given	11.687.541	1.375.000	-
Total	11.687.541	1.375.000	-



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December 31,2015

	TL	USD	EURO
Guarantee Letters Given	887.541	1.375.000	1.600.000
Total	887.541	1.375.000	1.600.000

iv) The ratio of Mortgages and Guarantees Given to Shareholders' Equity is as follows:

Mortgages & Guarantees Given by the Company	December 31,2016	December 31,2015
A. Total amount of M&G Given on behalf of the Company	16.526.441	9.969.651
B. Total amount of M&G Given on behalf of the Subsidiaries and Affiliated Companies subject to full consolidation	-	-
C. Total Amount of M&G Given on behalf of the third person liability in order to sustain usual business activities.	-	-
D. Total Amount of other M&G Given	-	-
i. Total Amount of M&G Given on behalf of main shareholder		
ii. Total Amount of M&G Given on behalf of other affiliated companies which can not be classified under section B and C.	-	-
iii.Total Amount of M&G Given on behalf of the third person that cannot be classified under section C.	-	-
Total	16.526.441	9.969.651

The amounts stated above are provisions expressed in Turkish Lira as period ends.

The ratio of Mortgages and Guarantees Given to Shareholders' Equity is 0 %. (December 31, 2015: %0)

v) Mortgages and Guarantees on Assets:

There are not any restrictions on assets.

vi) Total Insurance Coverage on Assets:

December 31,2016

Type of Insured Assets	USD	TL
Commercial Goods	10.675.000	-
Vehicles	-	107.534
Plants, Machinery and Equipment	35.000	-
Total	10.710.000	107.534

December 31,2015

Type of Insured Assets	USD	TL
Commercial Goods	10.675.000	-
Vehicles	-	106.470
Plants, Machinery and Equipment	35.000	-
Total	10.710.000	106.470

23 COMMITMENTS

None.

24 EMPLOYEE TERMINATION BENEFITS

Account Name	December 31, 2016	December 31, 2015
Provision for Termination Indemnity	222.068	356.080
Total	222.068	356.080



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In context of current Labor Law, liability of payment of legal benefit for termination indemnity arises when terminated employment contract is qualified for termination indemnity. In addition, according to currently operated Social Insurance Law making payment to employee, who has the right of severance with termination indemnity, is a legal liability As of January 1st 2017, termination indemnity upper limit is monthly TL 4.426,16 (December 31,2015: TL 4.092,53).

Termination indemnity payable is not subjected to any legal funding.

Termination indemnity payable, is calculated by forecasting the present value of currently working employee's possible future liabilities IAS 19 ("Employee Termination Benefits"), predicts to build up Company's liabilities with using actuarial valuation techniques in context of defined benefit plans. According to these predictions, actuarial assumptions used in calculation of total liabilities are as follows:

Base assumption is the inflation parallel increase of maximum liability of each year Applied discount rate must represent expected real discount rate after the adjustment of future inflation As of December 31,2016, provisions in financial statement are calculated by forecasting the present value of currently working employee's possible future liabilities.

The provisions at the balance sheet dates have been calculated assuming an annual inflation rate of 6,75 % and a discount rate of 10,5%. As a result, the real discount rate is calculated as 3,51 % (December 31, 2015: 3,76%). The assumptions made by the company related to real discount rates are reviewed annually. There were not any changes in discount assumptions in the current period.

The possibility of dismissing regarding termination indemnity liabilities is %98,12' as of December 31, 2016. (December 31, 2015; %97,98)

	January 1,2016 December 31, 2016	January 1,2015 December 31, 2015
January 1	356.080	378.282
Current Period Service Cost	31.829	32.493
Interest Cost	35.608	37.828
Actuarial Income/(Loss)	12.111	11.077
Loss Composed on Payment	146.019	76.338
Paid	(359.579)	(179.938)
Closing Balance	222.068	356.080

Provision expense (income) for termination indemnities are recognized the accounts as follows;

Account Name	January 1,2016 December 31, 2016	January 1,2015 December 31, 2015
General Administration Expenses	(213.456)	(146.659)
Other from Operations (Incomes)	-	-
The amount accounted in (Profit) / Loss	(213.456)	(146.659)
Actuarial Loss accounted in Other Comprehensive Income	(12.111)	(11.077)
Total Expense / (Income)	(225.567)	(157.736)

According to the regulation under IAS 19 released on January 1, 2013 actuarial losses and gains are to be recorded under other comprehensive income in Shareholder's Equity.

Account Name	January 1, 2016 December 31, 2016	January 1, 2015 December 31, 2015
Actuarial Loss accounted in Other Comprehensive Income	(12.111)	(11.077)
Tax Effect: % 20	2.422	2.215
Net Amount	(9.689)	(8.862)

In the current period actuarial loss amount was TL 12.111 . Bu Deferred tax effect of this amount was also taken into consideration and stated in other comprehensive statement of profit or loss and as a result of this transaction the amount of other comprehensive was TL 9.689.



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In the previous period actuarial accounted was TL 11.077 . Deferred tax effect of this amount was also taken into consideration and stated in other comprehensive statement of profit or loss and as a result of this transaction the net amount of other comprehensive was TL 2.215.

NOTE 25 CURRENT TAX ASETS and LIABILITIES

None.

NOTE 26 OTHER ASSETS AND LIABILITIES

Other Current Assets for the years ended, are as follows:

Account Name	December 31, 2016	December 31, 2015
Income Accrual for Turnover Premium	3.923.588	470.253
Deferred VAT	1.397.288	-
Advances Given	233.889	43.328
Total	5.554.765	513.581

The Company does not have Other Non-Current Assets as of period ends.

Credit note income related to following months transactions as follows:

Account Name	December 31, 2016	December 31, 2015
Opening Balance	470.253	1.420.609
Current period accrual	24.512.484	16.220.317
Collection / Current account transfer	(21.059.149)	(17.170.673)
Total	3.923.588	470.253

27 SHAREHOLDER'S EQUITY

i) Non-Controlling Interests

None.

ii) Capital / Cross Shareholding Adjustment

The capital of the Company, which is **TL 23.000.000**, consists of A Group shares issued to the name as paid-in capital is **TL 4.000**, B Group shares issued to the beer as paid-in capital is **TL 22.996.000**. A Group Shareholders have privilege in Board of Directors Election, B Group Shareholders do not have any privilege. A Group registered shares belong to Desbil Teknolojik Ürünler Dağıtım A.Ş. (The ultimate control of Desbil belongs to Nevres Erol Bilecik).

Capital and shareholder structure of the Company as of December 31, 2016 and December 31, 2015 are as follows;

Shareholder	December 31, 2016		December 31, 2015	
	Share Percentage %	Share Amount	Share Percentage %	Share Amount
Desbil Teknolojik Ürünler A.Ş.	% 30,24	6.956.268	% 30,24	6.956.268
Despec International FZCO.	% 30,33	6.975.000	% 30,33	6.975.000
Public Shares(*)	% 39,35	9.050.000	% 39,35	9.050.000
Other	% 0,08	18.732	% 0,08	18.732
Total	%100	23.000.000	%100	23.000.000

(*) 225.994 of public shares belong to Desbil Teknolojik Ürünler A.Ş.

Despec International FZCO was established in United Arab Emirates Dubai Jebel Ali Free Zone in 1996 by Admiral Riyaz Jamal as subsidiaries and affiliated companies are operating in Middle East, Africa, and Turkey.



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Decision of The Board of Directors meeting dated March 14, 2012 and nr. 2012/03, TL **11.500.000** issued capital of the company to be increased to TL **23.000.000** with the rate of 100% on condition that to be in upper limits of TL **25.000.000** registered capital, to be composed increased capital amount as TL **11.500.000** from internal resource.

According to the 9th article of Articles of Association titled "Board of Directors and Term" A Group bearer shareholders have the privilege to determine the members of Board of Directors. When the Board of Directors consist of 5 or 6 members 4, when consists of 7 or 8 members 5 and when consists of 9 members 6 members are nominated from the candidates presented by Group A shareholders. Even though the B Group shares, which were offered to public gain the majority, since the A Group shareholders have the aforementioned privilege, the management sovereignty will not be lost. In any case the sovereignty will continue to belong to A Group shareholders.

(iii) Share Premium/Discount

Capital reserves consist of share issue premiums. There is not movement in the current period.

(iv) Other Comprehensive Income / Expense not to be Reclassified to Profit or Loss

Other Comprehensive Income / Expense not to be Reclassified to Profit or Loss for the periods ended, are as follows:

Account Name	December 31,2016	December 31,2015
Actuarial Gain/(Loss)	(63.576)	(51.464)
Tax Effect	12.715	10.292
Actuarial Gain/(Loss) (Net)	(50.861)	(41.172)
Revaluation and Gain/Loss Arising from Measurement	(50.861)	(41.172)
Other Comprehensive Income/Expense not to be Reclassified to Profit or (Loss)	(50.861)	(41.172)

Movement Table is as follow;

	December 31,2016	December 31,2015
Opening Balance, January 1	(41.172)	(32.310)
Addition (Note:24)	(12.111)	(11.077)
Deferred Tax Offset (-) (Note:24, Note:35)	2.422	2.215
Closing Balance	(50.861)	(41.172)

(v) Other Comprehensive Income/(Expense) to be Reclassified to Profit or (Loss)

Account Name	December 31,2016	December 31,2015
Currency Translation Differences	606.110	606.110
Tax Effect	606.110	606.110
Other Comprehensive Income or (Expense) to be Reclassified in Profit or Loss	606.110	606.110

(*) Details can be found in Note 12.

vi) Restricted Reserves from Profit

Restricted reserves from profits consist of legal reserves.

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code (TCC). The TCC stipulates that the first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's historical paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the historical paid-in share capital. Under TCC, the legal reserves are not available for distribution unless they exceed 50% of the historical paid-in share capital but may be used to offset losses in the event that historical general reserve is exhausted.



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vii) Previous Years' Profits

Profits of previous years consist of extraordinary reserves, lose and profits of other previous years.

Publicly traded companies shall perform dividend distribution in accordance with the Communiqué on Dividends II-19.01 of the Capital Market Board effective. Within the scope of this communiqué, no minimum distribution rate has been determined. Companies shall pay dividends as set out in their profit distribution policies or their article association. Additionally, dividends can be paid via equal or different installments and companies can be distribute dividend advances based on profits at interim financial statements. The amount of distributable profit based on the companies' decision, does not exceed the net distributable profit in the statutory accounts, the whole amount should be distributed, otherwise all distributable amount in the statutory accounts are distributed. However, no profit distribution would be made if any financial statements prepared in accordance with the CMB or any statutory accounts carrying net loss for the period.

Shareholders' Equity as of December 31, 2016 and December 31, 2015 are as follows:

Account Name	December 31, 2016	December 31, 2015
Capital	23.000.000	23.000.000
Capital Adjustments Differences	437.133	437.133
Share Premium	2.967.707	2.967.707
Other Comprehensive Income/Expense to be Reclassified in Profit/Loss	(50.861)	(41.172)
- Revaluation and Gain/Loss Arising from Measurement	(50.861)	(41.172)
- Hedging (Not:9)	-	-
Foreign Currency Translation Adjustments	606.110	606.110
Restricted Reserves From Profit	7.310.637	6.145.805
- Legal Reserves	7.310.637	6.145.805
Previous Years' Profits	11.239.245	11.239.245
Net Period Loss/ Profit	10.355.164	9.741.624
Total	55.865.135	54.096.452

28 REVENUE AND COST OF SALES

Revenue and cost of sales for the periods ended December 31, 2016 and December 31, 2015 are as follows:

Account Name	January 1, 2016 December 31, 2016	January 1, 2015 December 31, 2015
Domestic Sales	202.893.330	180.428.826
Foreign Sales	712.074	733.320
Other Sales(-)	3.275.956	7.645.720
Sales Returns (-)	(13.311.110)	(11.481.768)
Sales Discounts (-)	-	(584.752)
Other Discounts (-)	(613.719)	(324.269)
Net Sales	192.956.531	176.417.077
Cost of Sales (-)	(177.044.511)	(161.664.726)
Gross Profit	15.912.020	14.752.351

Depreciation and amortization expenses are considered as general expenses so they are presented under Operating Expenses.

Provision for impairment of inventory expenses are accounted for under the cost of sales account group.



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Accompanying Notes to the Financial Statements
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29 RESEARCH AND DEVELOPMENT, MARKETING, SALES & DISTRIBUTION EXPENSES AND GENERAL ADMINISTRATION EXPENSES

The Operational Expenses for the periods ended December 31, 2016 and December 31, 2015 are as follows:

Account Name	January 1, 2016 December 31, 2016	January 1, 2015 December 31, 2015
General Administration Expenses (-)	(3.977.265)	(4.366.744)
Marketing, Sales & Distribution Expenses (-)	(4.049.038)	(3.483.899)
Total Operating Expenses	(8.026.303)	(7.850.643)

30 EXPENSES RELATED TO THEIR NATURE

Expenses Related to Their Nature of the Company for the periods ended December 31, 2016 and December 31, 2015 are as follows:

Account Name	January 1, 2016 December 31, 2016	January 1, 2015 December 31, 2015
- Personnel Expenses	(4.829.561)	(4.505.891)
- Transportation and Storage Expenses	(1.287.937)	(1.507.510)
- Advertisement Expense	(92.873)	(124.899)
- Rental Expense	(282.671)	(221.360)
- Consultancy and Audit Expenses	(291.998)	(261.375)
- Outsourced Benefits and Services	(206.002)	(192.252)
- Sales and Foreign Trade Expense	(61.089)	(81.897)
- Insurance Expenses	(206.652)	(274.419)
- Other Expenses	(767.520)	(681.040)
Total Operating Expenses	(8.026.303)	(7.850.643)

Essential part of accounting,finance,consultancy,current accounts,transportation,storage,import,export and rent services of Company are provided by İndeks Bilgisayar A.Ş. and Teklos Lojistik A.Ş. which are group Company.Against these services, it is invoiced to the Company monthly.These amounts are stated under operational expenses.Information about invoice amount which are invoiced by related companies are shown in **Note 37.**

31 OTHER OPERATING INCOME / EXPENSE

Other income / expense for the periods ended December 31, 2016 and December 31, 2015 are as follows:

Account Name	January 1, 2016 December 31, 2016	January 1, 2015 December 31, 2015
Other Income	7.747.975	9.399.568
Eliminated Interest From Revenue	2.358.930	2.784.032
Interest and discount Incomes	698.374	590.981
Foreign Exchange Gain (Trade Receivables and Payables)	4.689.874	5.977.011
Other Income And Profit	797	47.544
Other Expenses (-)	(4.156.314)	(5.050.372)
Eliminated Interest From Purchases	(908.735)	(863.741)
Interest and discount Expenses	(624.854)	(579.108)
Foreign Exchange Loss (Trade Receivables and Payables)	(2.509.483)	(3.502.356)
Other Expens and Loss (-)(*)	(113.242)	(105.167)
Other Income / Expense (Net)	3.591.661	4.349.196

(*)Other Expenses and Losses are consist of in non-deductible Expenses such as tax, penalty, motor vehicle tax and special communications taxes.



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32 INCOME / EXPENSE FROM INVESTMENT ACITIVITIES

Income from Investment Activities for the periods ended December 31, 2016 and December 31, 2015 are as follows:

Account Name	January 1, 2016 December 31, 2016	January 1, 2015 December 31, 2015
Dividend Income	8.419	5.110
Income from Investment Operations	8.419	5.110

33 FINANCIAL INCOME / EXPENSE

Financial Income for the period ended December 31, 2016 and December 31, 2015 are as follows:

Account Name	January 1, 2016 December 31, 2016	January 1, 2015 December 31, 2015
Interest Income	129.564	161.722
Foreign Exchange Gain	6.518.238	5.038.831
Total	6.647.802	5.200.553

Financial Expense for the periods ended December 31, 2016 and December 31, 2015 are as follows:

Account Name	January 1, 2016 December 31, 2016	January 1, 2015 December 31, 2015
Bank and Interest Expenses	(1.360.506)	(1.156.845)
Foreign Exchange Losses	(3.810.803)	(3.097.457)
Total	(5.171.309)	(4.254.302)

There is no capitalized financial expense of Company for current period.

34 FIXED ASSETS HELD FOR SALE PURPOSES AND DISCONTINUED OPERATIONS

None.

35 TAX ASSETS AND LIABILITIES

The Company's tax income / (expense) are composed of current period's corporate tax expense and deferred tax income / (expense).

The tax assets and liabilities of the Company as of December 31, 2016 and December 31, 2015 are as follows:

Account Name	January 1, 2016 December 31, 2016	January 1, 2015 December 31, 2015
Provision for Current Period Tax (-)	(2.539.583)	(2.608.378)
Deferred Tax Income / (Expense)	(67.543)	147.737
Total Tax Income / (Expense)	(2.607.126)	(2.460.641)

Account Name	January 1, 2016 December 31, 2016	January 1, 2015 December 31, 2015
Provision for Current Period Tax (-)	2.539.583	2.608.378
Prepaid Taxes (-)	(1.107.808)	(2.448.604)
Total Tax Payable Net	1.431.775	159.774

i) Provision for Current Period Tax

Companies calculate their temporary taxes on their quarterly financial profits in Turkey. Corporate income as of the temporary tax periods, temporary tax rate of 20 % over the corporate income was calculated and prepaid taxes deducted from taxation on income.



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According to Turkish Corporate Tax Law, losses can be carried forward to offset the future taxable income for a maximum period of 5 years. On the other hand, such losses cannot be carried back to offset previous years' profits.

According to Corporate Tax Law's Article: 20, the corporate tax is imposed by the taxpayer's tax returns. There is no procedure for a final and definitive agreement on tax assessments. Annual corporate tax returns are submitted until the 25th of April following the closing of the accounting year. Moreover, the tax authorities have the right to examine the tax returns and the related accounting records within five years.

Income Withholding Tax:

In addition to corporate tax, companies should also calculate income withholding tax on any dividends distributed, The rate of withholding tax has been increased from 10% to 15% upon the Cabinet decision No: 2006/10731, which was published in Official Gazette on July 23, 2006.

ii) Deferred Tax :

The Company recognizes deferred income tax assets and liabilities based upon temporary differences arising between their financial statements as reported under TAS/IFRS and their statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for TAS/IFRS and tax purposes and disclosed below.

Account Name	December 31, 2016 Accumulated Temporary Differences	December 31, 2016 Deferred Tax Receivable / (Payable)	December 31, 2015 Accumulated Temporary Differences	December 31, 2015 Deferred Tax Receivable / (Payable)
Fixed Assets	(120.478)	(24.096)	(41.610)	(8.322)
Stock Valuation Difference	(27.802)	(5.560)	(8.243)	(1.649)
Rediscount Expense	368.771	73.754	437.618	87.524
Provision for Termination Indemnities	222.068	44.414	356.080	71.216
Provision for Inventory Impairment	1.617.946	323.590	1.314.198	262.840
Provision for Litigations	35.012	7.002	-	-
Difference Between Book Value and Tax Base of Inventories	120.957	24.191	101.751	20.350
Rediscount Income	(206.800)	(41.360)	(132.841)	(26.568)
Derivative Instruments	(238.579)	(47.716)	69.748	13.949
Deferred Tax Asset / (Liabilities)		354.219		419.340

	December 31, 2016	December 31, 2015
Deferred Tax Asset / (Liability) at the beginning of the period	419.340	269.388
Employee Termination Benefits Actuarial Gain/Loss	2.422	2.215
Deferred Tax Income / (Expense)	(67.543)	147.737
Deferred Tax Assets / (Liabilities)	354.219	419.340

Explanation of Unused Tax Advantages:

There is no financial loss transferred to next periods at the end of the periods.



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Reconciliation of tax provision for the periods ended December 31, 2016 and December 31, 2015 are as follows:

	January 1, 2016 December 31, 2016	January 1, 2015 December 31, 2015
Reconciliation of Tax Provision:		
Profit from Continuing Operations	12.962.290	12.202.265
Tax Rate % 20	(2.592.458)	(2.440.453)
- Non-Deductible Expenses	(14.668)	(20.188)
Deferred Tax Income	(2.607.126)	(2.460.641)

36 EARNINGS PER SHARE

Earnings per share are calculated by dividing net income available to common shareholders by the weighted average number of common shares outstanding for the period. Calculation of earnings per share/loss is as follow:

Account Name	January 1, 2016 December 31, 2016	January 1, 2015 December 31, 2015
Current Period Profit / (Loss)	10.355.164	9.741.624
Average Number of Shares	23.000.000	23.000.000
Earnings / (Loss) per Share	0,45022452	0,42354887

37 RELATED PARTIES DISCLOSURES

a) Receivables from Payables and Related Parties are as follows;:

December 31, 2016	Receivables		Payables	
	Trade Receivables	Non-Trade Receivables	Trade Payables	Non-Trade Payables
İndeks A.Ş.	-	-	175.573	-
Desbil A.Ş.	7.972	-	-	-
Teklos A.Ş.	-	-	243.060	-
İnfin A.Ş.	-	-	-	-
Artım A.Ş.	-	-	293	-
Homend A.Ş.	-	-	-	-
Neteks A.Ş.	-	-	447	-
Datagate A.Ş.	21.700	-	-	-
Total	29.672	-	419.373	-

December 31, 2015	Receivables		Payables	
	Trade Receivables	Non-Trade Receivables	Trade Payables	Non-Trade Payables
İndeks A.Ş.	-	-	315.076	-
Desbil A.Ş.	-	55.535	-	-
Teklos A.Ş.	-	-	191.882	-
İnfin A.Ş.	-	-	-	19.122
Homend A.Ş.	-	-	-	-
Neteks A.Ş.	198	-	-	-
Datagate A.Ş.	-	-	3.681	-
Total	198	55.535	510.639	19.122

The interest rates for USD, EURO and TL are % 3,5 , % 3,5 and % 14 in December 31.2016 . The interest rates for USD, EURO and TL are % 3,5 , % 3,5 and % 14 in December 31, 2015.



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b) Acquisitions from Related Parties and Sales to Related Parties are as follows:

December 31, 2016

Sales to Related Parties	Sales of Goods and Services	General Expense Allocation	Interest and Foreign Exchange Income	Total Income / Sales
Artım A.Ş.	2.031	-	70	2.101
Datagate A.Ş.	273	-	20.390	20.663
Desbil A.Ş.	-	-	54.990	54.990
Homend A.Ş.	5.235	-	-	5.235
İndeks A.Ş.	499.729	-	58.338	558.067
İnfin A.Ş.	-	18.154	1.546	19.700
Neteks A.Ş.	43.954	-	12.175	56.129
Teklos A.Ş.	44.302	434	6.071	50.807
TOTAL	595.524	18.588	153.580	767.692

Purchases from Related Parties	Purchases of Goods and Services	General Expense Allocation	Interest and Foreign Exchange Expense	Total Expenses / Purchases
Artım A.Ş.	869	-	243	1.112
Datagate A.Ş.	48.937	-	34.106	83.043
Desbil A.Ş.	-	-	6.836	6.836
Homend A.Ş.	-	-	-	-
İndeks A.Ş.	798.171	1.189.199	176.630	2.164.000
İnfin A.Ş.	-	18.155	190	18.345
Neteks A.Ş.	5.347	-	57.043	62.390
Teklos A.Ş.	1.330.918	11.403	17.467	1.359.788
TOTAL	2.184.242	1.218.757	292.515	3.695.514

There is no taken or given guarantee in between related parties.

December 31, 2015

Sales to Related Parties	Sales of Goods and Services	General Expense Allocation	Interest and Foreign Exchange Income	Total Income / Sales
Artım A.Ş.	14.223	-	-	14.223
Datagate A.Ş.	14.745	-	410	15.155
Desbil A.Ş.	-	-	222.298	222.298
Homend A.Ş.	-	-	-	-
İndeks A.Ş.	848.425	60.211	39.015	947.651
İnfin A.Ş.	-	-	422.884	422.884
Neotech A.Ş.	-	-	12	12
Neteks A.Ş.	268	28.085	1.110	29.463
Teklos A.Ş.	15.370	63.648	399	79.417
TOTAL	893.031	151.944	686.128	1.731.103

Purchases from Related Parties	Purchases of Goods and Services	General Expense Allocation	Interest and Foreign Exchange Expense	Total Expenses / Purchases
Artım A.Ş.	1.330	-	4.148	5.478
Datagate A.Ş.	194.920	-	12.044	206.964
Desbil A.Ş.	614.500	-	76.127	690.627
Homend A.Ş.	355.436	-	14.352	369.788



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İndeks A.Ş.	1.395.032	1.359.166	58.826	2.813.024
İnfin A.Ş.	-	218.361	229.475	447.836
Neotech A.Ş.	167	-	22	189
Neteks A.Ş.	-	28.085	1.116	29.201
Teklos A.Ş.	1.438.375	-	16.236	1.454.611
TOTAL	3.999.760	1.605.612	412.346	6.017.718

There is no taken or given guarantee in between related parties.

The interest rates for USD, EURO and TL are % 3,5, % 3,5 and % 14 in December 31.2016 . The interest rates for USD, EURO and TL are % 3,5 , % 3,5 and % 14 in December 31, 2015.

Benefits and Services Provided for Senior Management;

Account Name	December 31, 2016	December 31, 2015
Short-Term Benefits provided to Employees	1.952.161	1.736.900
Employment Termination Benefits	-	-
Other long term benefits	-	-
Total	1.952.161	1.736.900

Benefits and salary provided to Management Staff consist of general manager salary, assistant general manager salary.

38 NATURES AND LEVEL OF RISKS ARISING OUT OF FINANCIAL INSTRUMENTS

(a) Capital risk management

The Company, while trying to maintain the continuity of its activities in capital management on one hand, aims to increase its profitability by using the balance between debts and resources on the other hand.

The capital structure of the Company consists of debts containing the credits explained in note 8, cash and cash equivalents explained in note 6 and resource items containing respectively issued capital, capital reserves, profit reserves and profits of previous years explained in note 27.

Risks, associated with each capital class, and the capital cost are evaluated by the senior management. It is aimed that the capital structure will be stabilized by means of new borrowings or repaying the existing debts as well as dividend payments and new share issuances based on the senior management evaluations.

The Company follows the capital by using debt/total capital rate. This rate is found by dividing the net debt by total capital. The net debt is calculated by excluding the cash and cash equivalent amounts from the total debt amount (including credits, leasing and commercial debts as indicated in the statement of financial position). Total capital is calculated as resources plus net debt as indicated in the statement of financial position.

Net Debt / Equity Ratio as of December 31, 2016 and December 31, 2015 are as follows:

	December 31, 2016	December 31, 2015
Total Liabilities	30.805.407	27.195.768
Negative: Cash and Cash Equivalents	(3.504.106)	(13.686.449)
Net Liabilities	27.301.301	13.509.319
Total Equity	55.865.135	54.096.452
Total Capital	83.166.436	67.605.771
Net Liabilities/Total Capital Rate	0,3283	0,1998



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b) Important Accounting Policies

The Company's important accounting policies relating to financial instruments are presented in the Note 2.

(c) Risks Exposed

The Company, due to its activities, is exposed to changes in exchange rates (see article d) and interest rates (see article f). The Company, as it holds the financial instruments, also bears the risk of other party not meeting the requirements of the agreement. (Article e)

Market risks seen at the level of Company are measured according to the sensitivity analysis principle. Market risks faced by the Company in current period or the process of undertaking the faced risks or the process of the measure of faced risks was not changed according to previous year.

(d) Rate risk management

Most of the IT byproducts are either imported or purchased domestically using foreign currencies. During acquisition of products the companies are usually indebted in foreign currencies and payments are also made in same currencies. The companies which do not adopt their sales policies using currencies in which they purchase the products may encounter foreign exchange losses if rates increase.

Against the rate risk Despec determines the sales currencies in the currency which the inventories are purchased. However, according to the market conditions sales are made in different currencies in some periods. Especially in order not to bear f/x rate risk forward transactions are made in periods with volatile f/x rates.

The Company management evaluates and follows the balance of assets and liabilities in Turkish Lira and Euro type as open position.

If there is %10 increase on the general level of exchange rates and all other variables are fixed as of December 31, 2016, profit before tax will be amount of TL 1.380.396 (December 31, 2015: TL 1.148.839).

Foreign Exchange Rate Sensitivity Analysis Table

	December 31, 2016	
	Profit / (Loss)	
	Appreciation of Foreign Exchange	Devaluation of Foreign Currency
In the event of 10% value change of US Dollar against TL;		
1- US Dollar Net Asset / Liability	903.112	(903.112)
2- The part, hedged from US Dollar Risk (-)	-	-
3- US Dollar Net Effect (1+2)	903.112	(903.112)
In the event of 10% value change of Euro against TL		
4- Euro Net Asset/ (Liabilities)	477.285	(477.285)
5- The part, hedged from Euro Risk (-)	-	-
6- Euro Net Effect (4+5)	477.285	(477.285)
In the event of 10% value change of Other against TL;		
7- Other Net Foreign Currency Asset/(Liabilities)	-	-
8- The part, hedged from Other Risk (-)	-	-
9-Other Foreign Currency Assets Net Effect (7+8)	-	-
Total	1.380.396	(1.380.396)



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Foreign Exchange Rate Sensitivity Analysis Table

	December 31, 2015	
	Profit / (Loss)	
	Appreciation of Foreign Exchange	Devaluation of Foreign Currency
In the event of 10% value change of US Dollar against TL;		
1- US Dollar Net Asset / Liability	1.196.675	(1.196.675)
2- The part, hedged from US Dollar Risk (-)	-	-
3- US Dollar Net Effect (1+2)	1.196.675	(1.196.675)
In the event of 10% value change of Euro against TL		
4- Euro Net Asset/ (Liabilities)	(47.836)	47.836
5- The part, hedged from Euro Risk (-)	-	-
6- Euro Net Effect (4+5)	(47.836)	47.836
In the event of 10% value change of Other against TL;		
7- Other Net Foreign Currency Asset/(Liabilities)	-	-
8- The part, hedged from Other Risk (-)	-	-
9-Other Foreign Currency Assets Net Effect (7+8)	-	-
Total	1.148.839	(1.148.839)



DESPEC BİLGİSAYAR PAZARLAMA VE TİCARET ANONİM ŞİRKETİ

Accompanying Notes to the Financial Statements

(Amount, unless shown otherwise are stated in TL)

	Table of Foreign Exchange Position					
	December 31, 2016			December 31, 2015		
	Amount in TL	USD	EURO	Amount in TL	USD	EURO
1. Trade Receivables	25.774.923	5.840.658	1.407.175	20.641.293	5.412.223	1.543.528
2a. Monetary Financial Assets	8.498.360	2.221.217	183.685	14.275.482	4.566.692	313.875
2b. Non-Monetary Financial Assets	-	-	-	-	-	-
3. Other	-	-	-	-	-	-
4. Current Assets Total (1+2+3)	34.273.283	8.061.875	1.590.860	34.916.775	9.978.915	1.857.403
5. Trade Receivables	-	-	-	-	-	-
6a. Monetary Financial Assets	-	-	-	-	-	-
6b. Non-Monetary Financial Assets	-	-	-	-	-	-
7. Other	-	-	-	-	-	-
8. Fixed Assets Total (5+6+7)	-	-	-	-	-	-
9. Total Assets (4+8)	34.273.283	8.061.875	1.590.860	34.916.775	9.978.915	1.857.403
10. Trade Payables	(6.216.870)	(1.740.423)	(24.792)	(8.709.069)	(2.782.672)	(194.540)
11. Financial Liabilities	-	-	-	-	-	-
12a. Other Monetary Liabilities	(1.030.005)	(266.751)	(24.598)	(130.602)	(43.052)	(1.707)
12b. Other Non-Monetary Liabilities	-	-	-	-	-	-
13. Total Short Term Liabilities (10+11+12)	(7.246.875)	(2.007.174)	(49.390)	(8.839.671)	(2.825.724)	(196.247)
14. Trade Payables	-	-	-	-	-	-
15. Financial Liabilities	-	-	-	-	-	-
16a. Other Monetary Liabilities	-	-	-	-	-	-
16b. Other Non-Monetary Liabilities	-	-	-	-	-	-
17. Total Long Term Liabilities (14+15+16)	-	-	-	-	-	-
18. Total Liabilities (13+17)	(7.246.875)	(2.007.174)	(49.390)	(8.839.671)	(2.825.724)	(196.247)
19. Net Asset/ (Liability) Position of Derivative Instruments off the Statement of financial position (19a-19b)	(13.222.442)	(3.488.460)	(254.954)	(14.588.711)	(3.037.510)	(1.811.697)
19a. Total Amount of Hedged Assets	-	-	-	-	-	-
19b. Total Amount of Hedged Liabilities	13.222.442	3.488.460	254.954	14.588.711	3.037.510	1.811.697
20. Net Foreign Exchange Asset / (Liability) Position (9-18+19)	13.803.966	2.566.241	1.286.516	11.488.393	4.115.681	(150.541)
21. Monetary Items Net Foreign Exchange Asset / (liability) position (1+2a+5+6a-10-11-12a-14-15-16a)	27.026.408	6.054.701	1.541.470	26.077.104	7.153.191	1.661.156
22. Total Fair Value of Financial Instruments Used for the Foreign Exchange Hedge	-	-	-	-	-	-
23. The Amount of Hedged part of Foreign Exchange Assets	(12.983.864)	(3.488.460)	(254.954)	(14.658.459)	(3.072.055)	(1.802.037)
23. The Amount of Hedged part of Foreign Exchange Liabilities	-	-	-	-	-	-
23. Export	712.074	-	-	733.320	-	-
24. Import	91.832.108	-	-	76.896.223	-	-



DESPEC BİLGİSAYAR PAZARLAMA VE TİCARET ANONİM ŞİRKETİ

Accompanying Notes to the Financial Statements

(Amount, unless shown otherwise are stated in TL)

(e) Counterparty Risk

CREDIT TYPES INCURRED IN RESPECT OFFINANCIAL INSTRUMENT TYPES

December 31,2016	Receivables				Deposit at Banks	
	Trade Receivables		Other Receivables		Note	Note
	Related Party	Other	Related Party	Other		
Maximum credit risk incurred as of the date of reporting (A+B+C+D+E)	29.672	47.934.221	-	39.347		3.396.495
- The part of maximum risk secured by guarantee etc.	-	14.671.516	-	-		
A. Net book value of financial assets which are undue or which did not decline in value	29.672	47.547.991	-	39.347	10-11	3.396.495
B. Net book value of assets, overdue but did not decline in value.	-	386.230	-	-		-
- The part secured by guarantee etc.	-	-	-	-		-
C. Net book values of assets declined in value	-	-	-	-	10-11	-
- Overdue (gross book value)	-	-	-	-		-
- Decline in value (-)	-	1.572.830	-	-	10-11	-
- The part of net value secured by guarantee etc.	-	(1.572.830)	-	-	10-11	-
- Undue (gross book value)	-	-	-	-	10-11	-
- Decline in value (-)	-	-	-	-	10-11	-
- The part of net value secured by guarantee etc.	-	-	-	-	10-11	-
D. Elements containing credit risk off the statement of financial position	-	-	-	-	10-11	-



DESPEC BİLGİSAYAR PAZARLAMA VE TİCARET ANONİM ŞİRKETİ

Accompanying Notes to the Financial Statements

(Amount, unless shown otherwise are stated in TL)

December 31,2015	Receivables				Note	Deposit at Banks	
	Trade Receivables		Other Receivables			Note	Note
	Related Party	Other	Related Party	Other			
Maximum credit risk incurred as of the date of reporting (A+B+C+D+E)	198	41.835.200	55.535	35.527		13.070.902	
- <i>The part of maximum risk secured by guarantee etc.</i>	-	23.487.326	-	-			
A. Net book value of financial assets which are undue or which did not decline in value	198	41.835.200	55.535	35.527	10-11	13.070.902	6
B. Net book value of assets, overdue but did not decline in value.	-	-	-	-		-	
- <i>The part secured by guarantee etc.</i>	-	-	-	-		-	
C. Net book values of assets declined in value	-	-	-	-	10-11	-	6
- Overdue (gross book value)	-	-	-	-		-	
- <i>Decline in value (-)</i>	-	1.515.704	-	-	10-11	-	6
- <i>The part of net value secured by guarantee etc.</i>	-	(1.515.704)	-	-	10-11	-	6
- Undue (gross book value)	-	-	-	-	10-11	-	6
- <i>Decline in value (-)</i>	-	-	-	-	10-11	-	6
- <i>The part of net value secured by guarantee etc.</i>	-	-	-	-	10-11	-	6
D. Elements containing credit risk off the statement of financial position	-	-	-	-	10-11	-	



DESPEC BİLGİSAYAR PAZARLAMA VE TİCARET ANONİM ŞİRKETİ

Accompanying Notes to the Financial Statements
(Amount, unless shown otherwise are stated in TL)

	Receivables	
	Trade Receivables	Other Receivables
December 31, 2016		
1-30 Days Overdue	215.999	-
1-3 Months Overdue	180.870	-
More than 3 Months Overdue	-	-
The part of net value secured by guarantee etc.	10.639	-

	Receivables	
	Trade Receivables	Other Receivables
December 31, 2015		
1-30 Days Overdue	256.628	-
1-3 Months Overdue	101.112	-
More than 3 Months Overdue	-	-
The part of net value secured by guarantee etc.	-	-



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Accompanying Notes to the Financial Statements

(Amount, unless shown otherwise are stated in TL)

e) Credit Risk Management:

The Company's credit risk management exposed from trade receivables. Trade receivables mostly consist from receivables from dealers. The Company has set up an effective control system over its dealers and the risk is monitorized by credit risk management team and Company Management. The Company has set limits for every dealer and these limits are revised if it is necessary. The taking adequate guarantee from dealers is another method for the risk management. There is no significant trade receivable risk for the Company, because the Company has receivables from a wide range of customers instead of a small number customers and significant amounts. Trade receivables are evaluated by taking into consideration of Company's past experience and current economic situation and these receivables are presented with their net values in the statement of financial position after the proper provisions for doubtful receivables are made. The low profit margins by force of the sectoral conditions make collection and credit risk management policies important and the Company management show sensivity in these situations. The detailed information about the collection and risk management policies are as follows;

The Company starts executive proceedings and / or litigates for the receivables overdue for a few months. The Company can configure terms for dealers in difficult situations. The low profit margins by force of the sectoral conditions make collection of receivables important. There is a risk management team to minimize the risk of collections and the sales are realized by making credibility evaluations. The sales to new or risky dealers are made in cash collection.

The Company is selling products to a wide range of institutions which are selling or buying computer and its equipments. The capital structure of the dealers classified as "classic dealers" in the distribution channel is low. It is estimated that there are about 5.000 dealers in this group in Turkey and in terms of risk management to minimize the receivable risk of Despec by taking steps and establishing its own organization and working system. The steps taken by the Company are as follows;

The sales to new customers which have no experience more than 1 year: The sales to new customers which have no experience more than 1 year are made in cash collection.

The information team involved in receivable and risk management department consists of 2 staff and this team is monitoring the dealers continuously.

Credit Committee: The information about the customers which has experience more than 1 year in the sector and the customers which are demanding an increase for the credit limit are prepared by the information team and presented to credit committee every week. Credit committee consists of Senior Vice President of Finance, Finance Manager, Accounting Manager, information team staff and the Sale Manager of related Customer. Credit Committee establish credit limits to related customers by taking into consideration the information gained from the information team, past payments and sale performances. The Credit Committee determines the conditions and if it is needed they demand for guarantees, mortgages, etc.

Trade receivables are evaluated by taking into consideration the Company policies and procedures and the trade receivables are shown with their net value after the provisions for doubtful receivables are made in the financial statements. **(Note: 10)**

The company made an insurance policy agreement which contains trade receivables insurance in Turkey with Euler Hermes Sigorta A.Ş.

- Policy is between on April 1, 2016 – March 31, 2017..
- Damages in policy is stated in USD.
- Guarantee proportion is determined % 90 for trade receivables credit limit which are demanded.



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Accompanying Notes to the Financial Statements

(Amount, unless shown otherwise are stated in TL)

(f) Management of interest rate risk

The interest rates of loan are fixed.

Table of Interest Position

	December 31, 2016	December 31, 2015
Fixed Interest Financial Instruments		
Financial Assets	-	9.717.373
Financial Liabilities	-	-
Floating Rate Financial Instruments		
Financial Assets	-	-
Financial Liabilities	-	-

- g) Analysis Relating to Other Risks

Risks Relating to Share etc. Financial Instruments

The Company isn't holding marketable securities which are traded in the Istanbul Stock Exchange.

- h) Liquidity risk management

The Company tries to manage the liquidity risk by maintaining the continuation of sufficient funds and loan reserves by means of matching the financial instruments and terms of liabilities by following the cash flow regularly.

Liquidity Risk Tables

Prudent liquidity risk management signifies maintaining sufficient cash, the utility of fund sources by sufficient credit transactions and the ability to close out market positions.

Risk of existing or future possible debt requirements being fundable is managed by maintaining the continuation of availability of sufficient numbers and high quality credit providers.

The table below indicates the term divisions of derivative and non-derivative financial liabilities of the Company in TL currency.

December 31, 2016

Expected Terms	Book Value	Cash Outflows Total As Per the Agreement	Less than 3 Months	3-12 Months	1-5 Years	More than 5 Years
Non-Derivative Financial Liabilities	27.995.525	28.202.325	28.202.325	-	-	-
Bank Loans	-	-	-	-	-	-
Trade Liabilities	26.894.845	27.101.645	27.101.645	-	-	-
Other Liabilities	1.100.680	1.100.680	1.100.680	-	-	-

Expected Terms	Book Value	Cash Outflows Total As Per the Agreement	Less than 3 Months	3-12 Months	1-5 Years	More than 5 Years
Derivative Financial Liabilities	238.579	170.204	170.204	-	-	-
Derivative Cash Inflows	13.222.442	13.222.442	13.222.442	-	-	-
Derivative Cash Outflows	(12.983.863)	(13.052.238)	(13.052.238)	-	-	-



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Accompanying Notes to the Financial Statements
(Amount, unless shown otherwise are stated in TL)

December 31, 2015

Expected Terms	Book Value	Cash Outflows Total As Per the Agreement	Less than 3 Months	3-12 Months	1-5 Years	More than 5 Years
Non-Derivative Financial Liabilities	25.648.988	25.847.126	25.847.126	-	-	-
<i>Bank Loans</i>	-	-	-	-	-	-
<i>Trade Liabilities</i>	24.961.953	25.160.091	25.160.091	-	-	-
<i>Other Liabilities</i>	687.035	687.035	687.035	-	-	-

Expected Terms	Book Value	Cash Outflows Total As Per the Agreement	Less than 3 Months	3-12 Months	1-5 Years	More than 5 Years
Derivative Financial Liabilities	(69.748)	(188.763)	(188.763)	-	-	-
<i>Derivative Cash Inflows</i>	14.588.711	14.588.711	14.588.711	-	-	-
<i>Derivative Cash Outflows</i>	(14.658.459)	(14.777.474)	(14.777.474)	-	-	-

39 FINANCIAL INSTRUMENTS (DECLARATIONS WITHIN THE CONTEXT OF FAIR VALUE AND HEDGING)

The Company considers that the recorded values of financial instruments reflect the fair values.

Aims at financial risk management

The finance department of the Company is responsible for maintaining the access to financial markets regularly and observing and managing the financial risks incurred in relation with the activities of the Company. The said risks include market risk (including foreign exchange risk, fair interest rate risk and price risk), credit risk, liquidity risk and cash receiving risk.

The Company uses the forward exchange agreements out of derivative financial instruments for the purpose of decreasing the effects of these risks and being protected from financial risk against the same. The Company has no speculative financial instruments (including derivative financial instruments) and does not involve in any activity relating to the sale or purchase of such instruments.

40 EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

None.

41 OTHER ISSUES

None.

