LİDER FAKTORİNG A.Ş.

FINANCIAL STATEMENTS
AT 31 DECEMBER 2015
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Lider Faktoring A.Ş.

1. We have audited the accompanying financial statements of Lider Faktoring A.Ş. (the "Company") which comprise the statement of financial position as at 31 December 2015 and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

4. In our opinion, the financial statements present fairly, in all material respects, the financial position of Lider Faktoring A.Ş. as at 31 December 2015 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Other matter

5. The financial statements of the Company for the year ended 31 December 2014 were audited by another firm of auditors whose reports, dated 6 February 2015, expressed an unmodified opinion on those statements.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Talar Gül, SMMM
Partner

Istanbul, 29 February 2016

LİDER FAKTORİNG A.Ş.

FINANCIAL STATEMENTS AT 31 DECEMBER 2015

CONTENTS **PAGES**

STATEMENT OF FINANCIAL POSITION		**1**
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME		**2**
STATEMENT OF CHANGES IN EQUITY		**3**
STATEMENT OF CASH FLOWS		**4**
NOTES TO THE FINANCIAL STATEMENTS		**5-40**
NOTE 1	GENERAL INFORMATION	5
NOTE 2	BASIS OF PREPARATION	5-6
NOTE 3	SIGNIFICANT ACCOUNTING POLICIES	6-16
NOTE 4	DETERMINATION OF FAIR VALUES	17
NOTE 5	ADMINISTRATIVE EXPENSES	17
NOTE 6	PERSONNEL EXPENSES	18
NOTE 7	TAXATION	18-21
NOTE 8	CASH AND CASH EQUIVALENTS	21
NOTE 9	FINANCIAL ASSETS	21
NOTE 10	FACTORING RECEIVABLES AND PAYABLES	22-23
NOTE 11	PROPERTY AND EQUIPMENT	23-24
NOTE 12	INTANGIBLE ASSETS	25
NOTE 13	OTHER ASSETS AND PREPAID EXPENSES	25-27
NOTE 14	LOANS AND BORROWINGS	27
NOTE 15	DEBT SECURITIES ISSUED	28
NOTE 16	FINANCIAL LEASE PAYABLES	28
NOTE 17	OTHER LIABILITIES	29
NOTE 18	EMPLOYEE BENEFITS	29-30
NOTE 19	EQUITY	30-31
NOTE 20	EARNINGS PER SHARE	32
NOTE 21	FINANCIAL INSTRUMENTS	32-39
NOTE 22	COMMITMENTS AND CONTINGENCIES	39-40
NOTE 23	RELATED PARTY DISCLOSURES	40
NOTE 24	EVENTS AFTER THE REPORTING PERIOD	40

LİDER FAKTORİNG A.Ş.

STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015
(Amounts expressed in Turkish Lira ("TL") unless otherwise stated.)

	Notes	31 December 2015	31 December 2014
ASSETS			
Cash and cash equivalents	*8*	*654,625*	201,134
Financial assets	9	57,139	-
Factoring receivables	*10*	*616,378,272*	792,594,702
Property and equipment	*11*	*27,512,452*	24,760,201
Intangible assets	*12*	*81,210*	102,555
Deferred tax assets	*7*	*5,291,457*	3,717,870
Assets held for trading		57,183	-
Other assets and prepaid expenses	*13*	*14,648,695*	17,190,873
Total assets		***664,681,033***	**838,567,335**
LIABILITIES			
Funds borrowed	*14*	*422,404,570*	559,169,745
Debt securities issued	*15*	*119,167,183*	144,551,346
Finance lease payables	*16*	*21,990,161*	21,112,544
Factoring payables	*9*	*1,430,707*	782,248
Current income taxes payable	*7*	*1,535,002*	1,645,416
Other liabilities	*16*	*3,302,819*	2,046,035
Reserve for employment termination benefits	*18*	*3,086,644*	2,119,648
Total liabilities		***572,917,086***	**731,426,982**
EQUITY			
Share capital	*19*	35,873,808	35,873,808
Revaluation surplus, net of tax	*19*	*23,337,155*	20,477,229
Remeasurements of employment termination benefits, net of tax		(437,760)	192,726
Legal reserves	*19*	*7,540,779*	5,070,545
Retained earnings		*25,449,965*	45,526,045
Total equity		***91,763,947***	**107,140,353**
Total liabilities and equity		**664,681,033**	**838,567,335**

The notes on pages 5 to 40 are an integral part of these financial statements.

PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Notes	1 January - 31 December 2015	1 January - 31 December 2014
Interest income			
Interest income on factoring receivables		*113,853,848*	109,087,178
Interest income from banks and reverse repurchases		5,576	-
Total interest income		***113,859,424***	**109,087,178**
Interest expense			
Interest expense on borrowings and financial leases (-)		*(59,019,835)*	(61,494,499)
Interest expense on debt securities issued (-)		*(20,109,817)*	(12,864,155)
Total interest expense		***(79,129,652)***	**(74,358,654)**
Net interest income		***34,729,772***	**34,728,524**
Fee and commission income on factoring transactions		*11,237,564*	13,792,504
Fee and commission expense on banking transactions (-)		*(816,403)*	(555,881)
Fee and commission income, net		**10,421,161**	**13,236,623**
Gross profit		***45,150,933***	**47,965,147**
Foreign exchange losses, net (-)		*(90,317)*	(278,491)
Impairment of assets held for trading (-)		(5,737)	-
Other operating income		*1,529,408*	460,441
Operating income		**46,584,287**	**48,147,097**
Impairment loss on factoring receivables (-)	*9*	*(11,316,580)*	(8,249,298)
Personnel expenses (-)	6	*(22,124,316)*	(23,186,296)
Administrative expenses (-)	*5*	*(5,091,458)*	(7,194,460)
Depreciation and amortization (-)	*10, 11*	*(271,928)*	(311,883)
Profit before income tax		**7,780,005**	**9,205,160**
Income tax expense (-)	*7*	*(1,406,735)*	(1,815,823)
Net profit		**6,373,270**	**7,389,337**
Earnings per share			
Basic earnings per share (TL)	*20*	*0.21*	0.25
Diluted earnings per share (TL)	*20*	0.21	0.25
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Revaluation of property and equipment	*10*	*2,229,440*	2,029,714
Remeasurement of employee termination benefits	*17*	*(788,108)*	(41,212)
Deferred tax effect	*7*	*157,621*	55,091
Other comprehensive income		**1,598,954**	**2,043,593**
Total comprehensive income		**7,972,224**	**9,432,930**
Earnings per share			
Basic earnings per share (TL)	*20*	*0.29*	0.31
Diluted earnings per share (TL)	*20*	0.29	0.31

The notes on pages 5 to 40 are an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Share capital	Inflationary effect on share capital	Revaluation funds, net of tax (*)	Actuarial gains, net of tax	Legal reserves	Retained earnings	Total equity
Balances at 1 January 2014	**30,000,000**	**5,873,808**	**18,400,666**	**225,696**	**4,693,078**	**38,514,175**	**97,707,423**
Current period income	-	-	-	-	-	7,389,337	7,389,337
Transfer to legal reserves	-	-	-	-	377,467	(377,467)	-
Other comprehensive income	-	-	2,076,563	(32,970)	-	-	2,043,593
Balances at 31 December 2014	**30,000,000**	**5,873,808**	**20,477,229**	**192,726**	**5,070,545**	**45,526,045**	**107,140,353**

	Share capital	Inflationary effect on share capital	Revaluation funds, net of tax (*)	Actuarial gains, net of tax	Legal reserves	Retained earnings	Total equity
Balances at 1 January 2015	**30,000,000**	**5,873,808**	**20,477,229**	**192,726**	**5,070,545**	**45,526,045**	**107,140,353**
Transfer to legal reserves	-	-	-	-	2,470,234	(2,470,234)	-
Dividend paid	-	-	-	-		(23,979,116)	(23,979,116)
Total comprehensive income	-	-	2,859,926	(630,486)	-	6,373,270	2,229,440
Balances at 31 December 2015	**30,000,000**	**5,873,808**	**23,337,155**	**(437,760)**	**7,540,779**	**25,449,965**	**91,763,947**

(*) These amounts include revaluation funds of buildings (Note 11).

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Notes	31 December 2015	31 December 2014
Cash flows from operating activities:			
Net profit for the year		6,373,270	7,389,337
Components of net profit not generating or using cash			
Depreciation and amortization	11, 12	271,928	311,883
Provision for employee severance payments	18	606,037	440,599
(Release)/provision for unused vacation provision	18	(35,864)	197,705
Net interest income		(34,729,772)	(34,728,524)
Income tax expense	7	1,406,735	1,815,823
Provision for doubtful receivables	9	11,316,580	20,489,606
Changes in operating assets and liabilities			
Change in factoring receivables		164,899,850	(228,932,438)
Change in factoring payables		648,459	202,103
Change in other assets		2,484,995	(15,976,319)
Change in other liabilities		1,255,841	156,363
Interest received		113,818,323	109,082,097
Employee severance paid (-)	18	(391,285)	(231,888)
Income taxes paid (-)	7	(3,090,736)	(1,659,558)
Change in financial investments	4	(57,139)	-
Net cash provided from/(used in) operating activities		**264,777,222**	**(141,443,211)**
Investing activities:			
Purchase of property and equipment and intangible assets (-)	11, 12	142,835	(384,284)
Net cash used in investing activities (-)		**(142,835)**	**(384,284)**
Financing activities:			
Interest paid (-)		(77,916,577)	(71,881,430)
Net cash flow provided from loans and borrowings		(136,264,319)	160,451,085
Net cash flow provided from debt securities		(26,000,000)	52,528,820
Dividends paid (-)		(24,000,000)	-
Net cash (used in)/ provided from/financing activities		**(264,180,896)**	**141,098,475**
Net decrease in cash and cash equivalents		**453,491**	**(729,020)**
Cash and cash equivalents at 1 January	8	201,134	930,154
Cash and cash equivalents at 31 December	**8**	**654,625**	**201,134**

The notes on pages 5 to 40 are an integral part of these financial statements.

1 GENERAL INFORMATION

Lider Faktoring A.Ş. was incorporated on 24 September 1992 in Turkey to provide factoring services to industrial and commercial firms under the name "Şetat Faktoring A.Ş.". The name of Şetat Faktoring A.Ş. was changed to Lider Faktoring Hizmetleri A.Ş. (the "Company") and the change was announced on the Trade Registry Gazette dated 22 July 2002 and numbered 5596. On 1 July 2013, with the Extraordinary General Assembly Meeting, legal name of the Company was changed from Lider Faktoring Hizmetleri Anonim Şirketi to Lider Faktoring Anonim Şirketi. The change of the legal name is registered with Turkish Trade Registry Gazette on 10 July 2013.

One of the existing shareholders sold 15% of the Company's shares in an initial public offering held in 2014 and the shares started floating on Borsa Istanbul at 19 June 2014.

The Company's head office is located at Büyükdere Caddesi 100 Maya Akar Center K: 25 Esentepe - Istanbul. The Company has 145 employees as at 31 December 2015 (31 December 2014: 178).

The Company's principal activity is to provide factoring services substantially in Turkey.

2 BASIS OF PREPARATION

(a) Basis of preparation

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS"). IFRS comprise accounting standards issued by the International Accounting Standards Board ("IASB") and its predecessor body and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body. The financial statements are based on the historical cost convention.

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira ("TL") in accordance with the "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" and the "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies and on Financial Statements to be announced to Public" published in the Official Gazette dated 24 December 2013 and numbered 28861 and Turkish Accounting Standards and Turkish Financial Reporting Standards published by Public Oversight Accounting and Auditing Standards Authority and other regulations, communiqués, and circulars announced by the Banking Regulation and Supervision Agency ("BRSA") in respect of accounting and financial reporting.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the respective accounting policy disclosures. Although the estimations and assumptions are based on the best estimates of the management's existing incidents and operations, they may differ from the actual results.

The financial statements of the Company as at and for the period ended 31 December 2015 have been approved by the Company management on 16 February 2016. The General Assembly of the Company and certain regulatory bodies has the power to amend the statutory financial statements after their issue.

2 BASIS OF PREPARATION (Continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis adjusted for the effects of inflation during the hyperinflationary year ended at 31 December 2005, except for buildings which are measured at fair value.

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

(c) Functional and presentation currency

These financial statements are presented in TL, which is the Company's functional currency. All financial information presented in TL is rounded to the nearest digit.

(d) Use of estimates and judgments

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized prospectively.

(i) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2015 is included in the following notes:

- Note 4 - Financial assets and liabilities - Determination of fair values
- Note 10 - Plant property and equipment
- Note 7 - Taxation
- Note 9 - Impairment of factoring receivables
- Note 17 - Employee benefits

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Accounting in hyperinflationary economies

Turkey was a hyperinflationary economy until 31 December 2005. 2005 was the monitoring year for the inflation in Turkey. Due to the decreasing trend in inflation rate and the sustained positive trends in qualitative factors such as the economic growth for the last three years, financial and economic stabilization, and the decreasing interest rates, Turkey was considered non-hyperinflationary economy under International Accounting Standard ("IAS") No 29 starting from 1 January 2006. Therefore, the application of IAS 29 was ceased in 2006.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to TL at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to TL at the exchange rate at reporting date. Foreign currency differences are recognized in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Financial instruments

The Company's financial instruments are all non-derivative instruments. The Company has the following non-derivative financial assets: loans and receivables comprising cash and cash equivalents, factoring receivables and other receivables.

The Company classifies non-derivative financial liabilities into the other financial liabilities category.

(i) Non-derivative financial assets and financial liabilities -recognition and derecognition

The Company initially recognizes loans and receivables issued on the date when they are originated. All other financial assets and financial liabilities are initially recognized on the trade date.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

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

Amortized cost measurement

The Amortized cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between the initial amount recognized and the maturity amount, minus any reduction for impairment for financial assets.

(ii) Non-derivative financial assets - measurement

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, time and demand deposits at banks having original maturity less than 3 months and readily to be used by the Company or not blocked for any other purpose.

Time deposits are measured at Amortized cost using the effective interest method. Demand deposits are measured at cost.

Accounting for interest income and expense is discussed in note 3.

Factoring receivables

Factoring receivables are measured at Amortized cost less specific allowances for uncollectability and unearned interest income. Specific allowances are made against the carrying amount of factoring receivables and that are identified as being impaired based on regular reviews of outstanding balances to reduce factoring receivables to their recoverable amounts. When a factoring receivable is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, receivable is written off immediately. Factoring payables are measured at Amortized cost.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Non-derivative financial liabilities - measurement

The Company has the following non-derivative financial liabilities: loans and borrowings, debt securities issued, finance lease payables, factoring payables and other payables.

All financial liabilities are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

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

The Company derecognizes a financial liability when its contractual obligations are discharged or cancelled or expire.

Loans and borrowings, debt securities issued and finance lease payables

Loans and borrowings, debt securities issued and finance lease payables are recognized initially at fair value, net of any transaction costs incurred. Subsequent to initial recognition, loans and borrowings, debt securities issued and finance lease payables are measured at Amortized cost with any difference between cost and redemption value being recognized in profit or loss over the period of the loans and borrowings and debt securities issues.

Other

Other financial liabilities are measured at cost due to their short term nature.

(d) Share capital

Ordinary shares

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

(e) Property and equipment

(i) Recognition and measurement

Items of property and equipment, except for buildings, acquired before 1 January 2006 are measured at cost restated for the effects of inflation in TL units current at 31 December 2005 pursuant to IAS 29, less accumulated depreciation and accumulated impairment losses, if any. Property and equipment, except for buildings, acquired after 31 December 2005 are measured at cost, less accumulated depreciation and accumulated impairment losses, if any.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

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

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Buildings are measured at fair value and impairment losses recognized after the date of the revaluation if any. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation surplus is credited to the revaluation surplus included in the equity, except to the extent that it reverses a revaluation decrease of the same asset previously recognized in the other comprehensive income, in which case the increase is recognized in the other comprehensive income. A revaluation deficit is recognized in the profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the revaluation surplus.

Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is may be transferred to retained earnings.

Any gain and loss on disposal of an item of property and equipment is recognized in profit or loss statement.

(ii) Subsequent expenditure

Subsequent expenditure is capitalized only when it is probable that the future economic benefits associated with the expenditure will flow to the Company.

(iii) Depreciation

Depreciation is calculated to write off the cost of items of property and equipment using the straight-line method over their estimated useful lives, and is recognized in profit or loss.

The estimated useful lives for the current and comparative periods are 50 years for buildings, 4 - 5 years for furniture and fixtures and 5 years for motor vehicles.

Leasehold improvements are depreciated over the periods of the respective leases on a straight-line basis.

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

(f) Intangible assets

Intangible assets represent computer software licenses and rights. Intangible assets acquired before 1 January 2006 are measured at cost restated for the effects of inflation in TL units current at 31 December 2005 pursuant to IAS 29, less accumulated amortization and impairment losses, if any. Intangible assets acquired after 1 January 2006 are measured at cost, less accumulated amortization and impairment losses, if any. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative periods are between 3 and 5 years.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Leases

(i) Determining whether an arrangement contains a lease

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

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

(ii) Leased assets

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

Assets held under other leases are classified as operating leases and are not recognized in the Company's statement of financial position.

(iii) Lease payments

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

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

(h) Impairment

(i) Financial assets

Financial assets are assessed at each reporting date to determine whether there is objective evidence of impairment.

Financial assets measured at amortized cost

The Company considers evidence of impairment for these assets at individual asset level. All assets are individually assessed for impairment.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Factoring receivables

A credit risk provision for impairment in factoring receivables is established if there is objective evidence that the Company will not be able to collect all amounts due as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the receivables.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Company about the following loss events:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments by more than 90 days;
- the Company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

    - adverse changes in the payment status of borrowers; or
    - national or local economic conditions that correlate with defaults on the assets in the group

The amount of the provision for impaired factoring receivables is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the interest rate at inception. For restructured receivables, the Company initially determines as to whether there has been impairment as a result of the restructuring, and if so, a provision for impairment is recorded representing the difference between the recoverable amounts, being the present value of expected cash flows from restructured receivables discounted using the interest rate of the original receivables, and the carrying amount.

Impairment losses are recognized in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES *(***Continued***)*

(ii) Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognized if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognized in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

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

(i) Employee benefits

(i) Reserve for employee severance payments

In accordance with the existing social legislation in Turkey, the Company is required to make certain lump-sum severance indemnity to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In the accompanying financial statements, the Company has reflected a reserve for employee severance using statistical method and discounted by using the current market yield at the reporting date on government bonds, in accordance with International Accounting Standards (IAS) No.19-Revised "Employee Benefits".

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognized for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

3 SIGNIFICANT ACCOUNTING POLICIES *(*Continued*)*

(j) Provisions

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

(k) Related parties

For the purpose of accompanying financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them are considered and referred to as the related parties.

(l) Revenue and cost recognition

(i) Factoring interest and commission income

Factoring revenue consists of factoring interest and commission income collected or accrued on advances given to the customers. Commission income is a certain percentage of the total amount of invoices subject to factoring. Factoring interest and commission income are recognized on the accrual basis using the effective interest method.

(ii) Factoring commission expense

Factoring commission charges are recognized on the accrual basis using the effective interest method.

(iii) Other income and expenses

Other income and expenses are recognized on the accrual basis.

(iv) Interest income other than on factoring transactions

Such interest income includes interest income from time deposits using the effective interest method.

(v) Interest expense on bank borrowings and debt securities

Interest expense on borrowings and debt securities are recognized using the effective interest method.

(m) Income tax

Income tax expense comprises current and deferred taxes. It is recognized in profit or loss except to the extent that it relates to items recognized directly in equity or in other comprehensive income.

(i) Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years.

3 SIGNIFICANT ACCOUNTING POLICIES *(***Continued***)*

(ii) Deferred tax

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, taxable temporary differences arising on the initial recognition of goodwill.

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

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

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same tax authority. Similarly, deferred tax assets and liabilities are also offset within the statement of financial position.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(n) Events after the reporting period

Events after the reporting period include all events up to the date when the financial statements are authorized for issue, even if those events occur after the public announcement of profit or of other selected information. In accordance with IAS 10, "Subsequent Events", the Company adjusts the amounts recognized in its financial statements to reflect adjusting events after the reporting period. Non-adjusting events are disclosed in the notes to the financial statements, if material.

(o) New standards, amendments and interpretations effective as of 31 December 2015:

IAS 19,'Employee benefits', effective annual periods on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

3 SIGNIFICANT ACCOUNTING POLICIES *(*Continued*)*

Annual improvements 2012, effective annual periods on or after 1 July 2014. These amendments include changes from the 2010-12 cycle of the annual improvements project, that affect 7 standards:

- IFRS 2, "Share-based payment"
- IFRS 3, "Business Combinations"
- IFRS 8, "Operating segments"
- IFRS 13, "Fair value measurement"
- IAS 16, "Property, plant and equipment and IAS 38, "Intangible assets"
- Consequential amendments to IFRS 9, "Financial instruments", IAS 37, 'Provisions, contingent liabilities and contingent assets', and
- IAS 39, "Financial instruments" - Recognition and measurement'.

Annual improvements 2013, effective annual periods on or after 1 July 2014. The amendments include changes from the 2011-2-13 cycle of the annual improvements project that affect 4 standards:

- IFRS 1, "First time adoption"
- IFRS 3, "Business combinations"
- IFRS 13, "Fair value measurement" and
- IAS 40, "Investment property".

(p) Standards and amendments issued but not yet effective as of 31 December 2015:

Amendment to IFRS 11, "Joint arrangements", effective annual periods beginning on or after 1 January 2016 . It is about acquisition of an interest in a joint operation. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

Amendments to IAS 16, "Property, plant and equipment", and IAS 41, "Agriculture", effective annual periods beginning on or after 1 January 2016 . These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

Amendment to IAS 16, "Property, plant and equipment" and IAS 38 "Intangible assets", effective annual periods beginning on or after 1 January 2016. In this amendment has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. The amendment has also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Standards and amendments issued but not yet effective as of 31 December 2015: (Continued)

IFRS 14 "Regulatory deferral accounts", effective annual periods beginning on or after 1 January 2016. This standard permits first-time adopters to continue to recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

Amendments to IAS 27, 'Separate financial statements', effective annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Amendments to IFRS 10, "Consolidated financial statements" and IAS 28, "Investments in associates and joint ventures", effective annual periods beginning on or after 1 January 2016. These amendments address an inconsistency between the requirements in IFRS 10 and those in IAS 28 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The main consequence of the amendments is that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Annual improvements 2014, effective annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:

- IFRS 5, Non-current assets held for sale and discontinued
- IFRS 7, "Financial instruments: Disclosures", (with consequential amendments to IFRS 1) regarding servicing contracts.
- IAS 19, Employee benefits" regarding discount rates.
- IAS 34, "financial reporting" regarding disclosure of information.

Amendment to IAS 1, "Presentation of financial statements", effective annual periods beginning on or after 1 January 2016. These amendments are to improve presentation and disclosure in financial reports.

Amendment to IFRS 10 and IAS 28 on investment entities applying the consolidation exception, effective annual periods beginning on or after 1 January 2016. These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

IFRS 15 "Revenue from contracts with customers", effective annual periods beginning on or after 1 January 2017. This standard is a converged standard from the IASB and FASB on revenue recognition which will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

IFRS 9 "Financial instruments"; effective annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

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

4 DETERMINATION OF FAIR VALUES

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

A market does not presently exist for factoring receivables which would facilitate obtaining prices for comparative instruments, and if sold or settled prior to their stated maturity dates, these instruments would bear transaction costs in the form of fees or discounts. Fair value has not been computed for these instruments because of the impracticability of determining fair value with sufficient reliability. Furthermore, net carrying values other than long term factoring receivables are considered to be a reasonable estimate of the fair value due to their short-term nature.

The fair value of other certain financial assets, including cash at banks are considered to approximate their respective carrying values due to their short-term nature.

Factoring payables are considered to approximate their respective carrying values due to their short-term nature.

The fair values of debt securities issued are determined with reference to their quoted bid price at the reporting date.

The estimated fair value of loans and borrowings represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

Finance lease payables are considered to approximate their respective carrying values since they are originated at a date close to the end of the reporting period.

Buildings are measured at fair value and impairment losses recognized after the date of the revaluation if any. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount

5 ADMINISTRATIVE EXPENSES

For the periods ended 31 December, administrative expenses comprised the following:

	2015	2014
Rent expenses	1,525,741	1,584,598
Consultancy expenses	584,285	612,248
Office supplies expenses	505,431	357,425
Legal and court expenses	410,436	409,515
Travelling expenses	354,232	493,304
Communication expenses	254,075	255,475
Subscription expenses	249,936	269,674
Taxes and duties other than on income	143,121	62,924
Maintenance and repair expenses	137,987	145,444
Advertising expenses	12,925	1,671,779
Others	913,289	1,332,074
	5,091,458	**7,194,460**

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

6 PERSONNEL EXPENSES

For the periods ended 31 December, personnel expenses comprised the following:

	2015	2014
Salary expenses	12,972,574	13,916,663
Board of directors salary expenses	6,048,622	6,201,742
Social security premium expenses	1,840,697	1,894,945
Meal expenses	656,386	732,347
Employee termination indemnity	606,037	440,599
	22,124,316	**23,186,296**

7 TAXATION

In Turkey, corporate income tax is levied at the rate of 20% (31 December 2014: 20%) on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes.

There is also a 15% withholding tax on the dividends paid and is accrued only at the time of such dividend payments. The withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions.

The transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via transfer pricing, dated 18 November 2007 sets the implementation procedures of the law. If a tax payer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arms' length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible items for corporate income tax purposes.

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

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

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

7 TAXATION (Contiuued)

The income tax expense for the periods ended 31 December comprised the following items:

	2015	2014
Current year tax expense		
Current year	(2,980,322)	(3,070,104)
	(2,980,322)	**(3,070,104)**
Current year deferred tax income		
Origination and reversal of temporary differences	1,573,587	1,254,281
	1,573,587	**1,254,281**
Income tax expense	**(1,406,735)**	**(1,815,823)**

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

	1 January - 31 December 2015	1 January - 31 December 2014
Profit before income taxes	7,780,005	9,205,160
Theoretical tax charge at the applicable tax rate 20%	(1,556,001)	(1,841,032)
Tax effect of items which are not deductible or assessable for taxation purposes (-)	(92,888)	(14,101)
Income exempt from taxation	242,154	39,310
Total tax expense for the period	**(1,406,735)**	**(1,815,823)**

In accordance with the related regulation for prepaid taxes on income, advance payments during the year are being deducted from the final tax liability computed over current year operations. Accordingly, the income tax expense is not equal to the final tax liability appearing on the statement of financial position.

The current tax liabilities as at 31 December 2015 and 2014 comprised the following:

	31 December 2015	31 December 2014
Taxes on income	2,980,322	3,070,104
Less: Corporation taxes paid in advance	(1,445,320)	(1,424,688)
Current tax liabilities	**1,535,002**	**1,645,416**

Deferred income tax is provided, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the initial recognition of assets and liabilities which effect neither accounting nor taxable profit.

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

7 TAXATION (Continued)

Deferred tax assets and deferred tax liabilities as at 31 December 2015 and 2014 were attributable to the items detailed in the table below:

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	31 December 2015	**31 December 2014**	**31 December 2015**	**31 December 2014**
Deferred tax asset				
Provision for impaired factoring receivables	22,028,867	14,598,866	4,405,773	2,919,773
Deferred commission income	1,677,161	2,366,603	335,432	473,321
Reserve for employment termination benefits	3,086,644	2,119,648	617,329	423,930
Deferred provision income	186,513	172,179	37,303	34,436
Temporary differences on borrowings and issued marketable securities	59,530	-	11,906	-
Effects of tax-basis differences of property and equipment, and intangible assets	-	23,491	-	4,698
	27,038,715	**19,280,787**	**5,407,743**	**3,856,158**
Deferred tax liability				
Valuation difference between carrying values and tax base of property and equipment (*)	(1,884,767)	(978,755)	(94,238)	(48,938)
Effects of useful life differences of property and equipment, and intangible assets	(110,236)	(196,700)	(22,048)	(39,340)
Temporary differences on borrowings and issued marketable securities	-	(250,047)	-	(50,009)
	(1,995,003)	**(1,425,502)**	**(116,286)**	**(138,287)**
Net deferred tax asset			**5,291,457**	**3,717,870**

(*) According to the Corporate Tax Law, 75 percent of the capital gains arising from the sale of tangible assets and investments owned for at least two years are exempted from corporate tax on the condition that such gains are reflected in the equity until the end of the fifth year following the sale. The remaining 25 percent of such capital gains are subject to corporate tax. The Company estimates that, it will comply with these requirements and has calculated the deferred tax liability with the 5% effective taxation rate.

The Company sold its headquarters office building to a leasing company and leased it back on 25 December 2015. Under the Article 34 of the Corporate Tax Law numbered 6322, 100% tax exemption is applied to gains from sale and leaseback of immovable property from a leasing company in the context of Financial Leasing, Factoring and Financing Companies Act.

Deferred income 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 the deferred income taxes relate to the same fiscal authority.

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

7 TAXATION (Continued)

The movement of deferred tax income for the periods ended 31 December were as follows:

	31 December 2015	31 December 2014
Deferred tax benefit recognized in profit or loss	1,573,587	1,309,372
Deferred tax benefit recognized other comprehensive income	157,621	55,091
	1,731,208	**1,364,463**

8 CASH AND CASH EQUIVALENTS

As at 31 December 2015 and 2014, cash and cash equivalents comprised the following:

	31 December 2015	31 December 2014
Cash at banks	637,265	182,280
- Demand deposits	*637,265*	*182,280*
Cash on hand	17,360	18,854
	654,625	**201,134**

As at 31 December 2015 and 2014, there are no time deposits and blockage on cash and cash equivalents.

9 FINANCIAL ASSETS

Financial assets held for trading;

	31 December 2015	31 December 2014
Marketable securities	57,139	-
- Share certificates (*)	*57,139*	-
	57,139	**-**

(*) The related certificates include Company's own equity shares purchased as part of the liquidity provider practice on the stock market.

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

10 FACTORING RECEIVABLES AND PAYABLES

As at 31 December 2015 and 2014, factoring receivables comprised the following:

	31 December 2015	31 December 2014
Domestic factoring receivables	643,950,400	823,595,718
Doubtful receivables	31,946,710	19,723,490
Factoring receivables, gross	**675,897,110**	**843,319,208**
Unearned income on factoring transactions (-)	(29,567,363)	(31,001,051)
Provision for impairment in doubtful receivables (-)	(29,951,475)	(19,723,455)
Factoring receivables, net	**616,378,272**	**792,594,702**

As at 31 December 2015 and 2014, maturity of factoring receivables excluding unearned income and doubtful receivables are as follows:

	31 December 2015	31 December 2014
Up to 1 month	127,952,160	187,288,207
1 month to 3 months	219,783,975	321,218,035
3 months to 1 year	288,295,101	307,678,727
1 year and over	7,919,164	7,410,749
	643,950,400	**823,595,718**

The Company has obtained the following collaterals for its receivables as at 31 December 2015 and 2014:

	31 December 2015	31 December 2014
Customer notes and cheques obtained as collateral	672,450,721	840,597,578

As at 31 December 2015, carrying value of the Company's restructured factoring receivables is amounting to TL 1,466,222 (31 December 2014: TL 5,063,873).

As at 31 December 2015 and 2014, maturity profile of the doubtful receivables and the specific allowance for them are as follows:

	31 December 2015		31 December 2014	
	Doubtful receivables	Specific allowance	Doubtful receivables	Specific allowance
Past due 0-3 months	4,774,705	2,779,470	2,911,099	2,911,099
Past due 3-6 months	2,754,343	2,754,343	1,147,334	1,147,334
Past due 6-12 months	6,108,417	6,108,417	4,747,267	4,747,267
Past due over 1 year	18,309,245	18,309,245	10,917,790	10,917,755
Total	**31,946,710**	**29,951,475**	**19,723,490**	**19,723,455**

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

10 FACTORING RECEIVABLES AND PAYABLES (Continued)

Movements in the total provision for impairment in the doubtful receivables for the periods ended 31 December were as follows:

	31 December 2015	31 December 2014
Balance at 1 January	**19,723,455**	**21,102,487**
Allowance for the year	11,316,580	20,489,606
Recoveries of amounts previously provided for	(1,088,560)	(12,240,308)
Written-off during the year (*)	-	*(9,628,330)*
Balance at year end	**29,951,475**	**19,723,455**

(*) These amounts include TL 9,628,330 written-off amount which is sold to Final Varlık Yönetimi A.Ş.

As at 31 December 2015, factoring payables amounting to TL 1,430,707 represent the amounts collected on behalf of but not yet paid to the factoring customers at the statement of financial position date (31 December 2014: TL 782,248).

11 PROPERTY AND EQUIPMENT

Movements of property and equipment for 31 December 2015 and 31 December 2014 are as follows:

	Buildings	Furniture and fixtures	Leasehold improvements	Total
Cost				
Balance at 1 January 2014	22,016,000	1,420,773	234,295	23,671,068
Additions	21,000,000	88,605	28,178	21,116,783
Revaluation	2,029,714	-	-	2,029,714
Disposal	(20,795,714)	-	-	(20,795,714)
Balance at 31 December 2014	**24,250,000**	**1,509,378**	**262,473**	**26,021,851**
Balance at 1 January 2015	24,250,000	1,509,378	262,473	26,021,851
Additions	23,000,000	70,291	25,260	23,095,551
Revaluation	860,000	-	-	860,000
Disposal	(21,000,000)	-	-	(21,000,000)
Balance at 31 December 2015	**27,110,000**	**1,579,669**	**287,733**	**28,977,402**

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

11 PROPERTY AND EQUIPMENT (Continued)

	Buildings	**Furniture and fixtures**	**Leasehold improvements**	**Total**
Accumulated Depreciation				
Balance at 1 January 2014	-	(901,126)	(139,395)	(1,040,521)
Depreciation for the year	-	(184,333)	(36,796)	(221,129)
Balance at 31 December 2014	**-**	**(1,085,459)**	**(176,191)**	**(1,261,650)**
Balance at 1 January 2015	-	(1,085,459)	(176,191)	(1,261,650)
Depreciation for the year	-	(165,153)	(38,147)	(203,299)
Balance at 31 December 2015	**-**	**(1,250,612)**	**(214,338)**	**(1,464,949)**
Net book value				
31 December 2014	**24,250,000**	**423,919**	**86,282**	**24,760,201**
31 December 2015	**27,110,000**	**329,057**	**73,395**	**27,512,452**

The Company engaged Adres Gayrimenkul Değerleme ve Danışmanlık A.Ş., a Capital Market Board ("CMB") accredited independent value, to determine the fair value of its buildings. Fair value is determined by reference to market based data. This means that valuations performed by the valuer are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The valuations were done in December 2015 and January 2016.

As at 31 December 2015, total amount of insurance coverage on property and equipment is TL 6,915,203 (31 December 2014: TL 5,571,540).

As at 31 December 2015, the net carrying amount of finance leased building is TL 23,000,000 (31 December 2014: TL 21,000,000). The Company sold its head office building on 14 December 2015 with sell and lease back agreement and leased back the head office building on 25 December 2015 from İş Finansal Kiralama A.Ş.. Terms of the leasing agreement is one year. After one year, ownership of the property will pass to the Company.

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

12 INTANGIBLE ASSETS

Movements of intangible assets for 31 December 2015 and 31 December 2014 are as follows:

	Software
Cost	
Balance at 1 January 2014	546,899
Additions	63,215
Balance at 31 December 2014	**610,114**
Balance at 1 January 2015	610,114
Additions	47,284
Balance at 31 December 2015	**657,398**
Accumulated amortization	
Balance at 1 January 2014	(416,805)
Amortization for the year	(90,754)
Balance at 31 December 2014	**(507,559)**
Balance at 1 January 2015	(507,559)
Amortization for the year	(68,629)
Balance at 31 December 2015	**(576,188)**
Net book value	
At 1 January 2015	102,555
At 31 December 2015	81,210

As at 31 December 2015 and 2014, the Company does not have any intangible assets generated within the Company.

13 OTHER ASSETS AND PREPAID EXPENSES

As at 31 December 2015 and 2014, other assets and prepaid expenses comprised the following:

	31 December 2015	**31 December 2014**
Advances given (*)	12,587,103	12,498,386
Receivables from Tax Authority (**)	1,257,500	4,060,588
Receivables from legal cases	403,086	390,905
Prepaid expenses	277,579	158,660
Other	123,427	82,334
	14,648,695	**17,190,873**

(*) These advances were given to a construction firm for the construction of head office building, that the Company plans to move its headquarter in the future.

13 OTHER ASSETS AND PREPAID EXPENSES (Continued)

(**) Based on the tax inspection on the Company books for the year 2009, the tax authority has issued a payment order with main tracking number of 20121129665090000001 amounting to TL 1,718,894 excluding the late payment interest, relating to the finalized tax base difference which was claimed in the tax inspection (limited) report no. 2012-A-998-14 dated 12 September 2012 issued by Mecidiyeköy Tax Office (Tax authority).

The Company has paid a total of TL 2,417,229, which consists of the amount stated in this payment order plus the relevant late payment interest to the tax authority with reservation and then filed a lawsuit with the file no. 2012/3104E. at Istanbul 2nd Tax Court requesting annulment of the payment order.

Furthermore, the tax authority has accrued to the Company a late payment interest of TL 38,090 in relation to relevant tax base difference with the payment order No.20121128655080000001 dated 27 November 2012 and issued the payment order with the main tracking number 20121127665080000001 dated 27 November 2012. The Company paid the mentioned amount with reservation and then filed a lawsuit at Istanbul 2nd Tax Court with the number 2012/3104 E for annulment of the payment order.

As described in detail above, the Company recognized the paid amount totaling TL 2,455,318 in its financial statements under 'other assets' as it is virtually certain that the outcome of the lawsuits would be in favor of the Company.

In addition to payments made to the tax authority with reservation, the tax authority levied an additional Corporate Income Tax of TL 169,016 for the year 2009 and a loss penalty of TL 169,016. The lawsuit filed against the said tax/penalty notice is still in progress at Istanbul 8th Tax Office with the File No.2012/3327 E. The tax authority also levied an additional Corporate Income Tax of TL 313,486 for the year 2010 and a loss penalty of TL 313,486. The lawsuit filed against the said tax/penalty notice is still in progress at Istanbul 8th Tax Office with the File No.2012/3328 E.

The Company has not made any payments for the tax penalties, in relation to the notice with no. 2012/1127135080000002 and 20121127135080000002 as the former petitions for offsetting have not been processed and has not allocated a provision in its financial statements since the likelihood of losing these litigations has been considered remote.

The Company has won the lawsuit which is described in detail above with the number 2012/3104 E at Istanbul 2nd Tax Court.

The Company, as explained in detail above, requested the repayment of TL 2,455,313. The tax authority has repaid the amount in 2013.

While the Company made the payments to the tax authority with reservation, the tax authority levied an additional Corporate Income Tax of TL 169,016 for the year 2009 and a loss penalty of TL 169,016. The lawsuit filed against the said tax/penalty notice is still in progress at Istanbul 8th Tax Office with the File No.2012/3327 E. The tax authority also levied an additional Corporate Income Tax of TL 313,486 for the year 2010 and a loss penalty of TL 313,486. The lawsuit filed against the said tax/penalty notice is refused at Istanbul 8th Tax Office with the 26 November 2013 File No.2012/3328 E.

Refusal decision was appealed by the Company on 7 February 2014. Related payment orders of the lawsuit resulted against the Company were paid to the tax office in cash, with a petition dated 20 February 2014 and registration number 11049 amounting to TL 2,803,088 and on 22 May 2014 amounting to TL 1,257,500 including the overdue. Payment orders which were dated 12 February 2014 and numbered 20140212665080000001 amounting to TL 1,718,894 were sued in Istanbul 5 of the Tax Court with file numbered 2014/604 and the one dated 12 February 2014 and numbered 20140212665080000002 amounting to TL 38,090 were sued in Istanbul 5 of the Tax Court with file numbered 2014/603 and the other one dated 21 March 2014 and numbered 20140321665080000018 amounting to TL 1,226,282 were sued in Istanbul 5 of the Tax Court with file numbered 2014/604.

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

13 OTHER ASSETS AND PREPAID EXPENSES (Continued)

The Company, as explained in detail above, requested the repayment of TL 2,803,088. The tax authority has repaid the amount in 2015.

On the other hand, in recent years tax audits and investigations have been carried out on factoring sector related with unearned interest income and as a result of these investigations some penalties have been charged to the factoring companies. In 2013, 4th Presidency of the Council of State has taken a decision in favor of a factoring company related with its law case for unearned interest income application. According to this decision, the authority decided in favor of the factoring company which serve as a precedent of the "discounted factoring" due to the recognition of income in current period which related for the period from the date of the transaction to the valuation day and recognition of income related with the next period as unearned income and the income tax and penalty subject to law case applied by tax authority was found against with the law.

In this case related to the tax penalty, by the 4th Presidency of the Council of State, the Company's objections related with files numbered 2014/1272 E and 2014/1300 E No were accepted and the decisions of the local court against the Company were broken in favor of the Company with the decisions dated 19 November 2014 and numbered 2014/7089 K and 2014/2090. The court day for the local courts related with abovementioned case is not reported to the Company yet.

The Company, has made a repayment request to the Tax Authority regarding to its total paid tax penalty with a total of 2,803,088 as mentioned in detail above. The repayment request is accepted by the Tax Authority and payment was done in November, 2015. Upon the collection the Company has deducted the payment from the receivables from Tax Authority.

As at 31 December 2015 the Company recognized the total payment amounting to TL 1,257,500 (31 December 2014: 4,060,588 TL) as mentioned above as "other receivables" since the chance of winning the suitcases is virtually certain according to the above precedent decision.

14 LOANS AND BORROWINGS

As at 31 December 2015 and 2014, loans and borrowings comprised the following:

31 December 2015

	Original amount	Nominal interest rate (%)	Up to 1 year	1 year and over	Total loans and borrowings
Bank Loans-TL	366,313,608	9.86-16.92	312,820,459	53,493,149	366,313,608
Bank Loans-USD	8,373,401	3.75-4.00	24,346,501	-	24,346,501
Bank Loans-Euro	9,990,074	3.25-3.75	31,744,461	-	31,744,461
Total			**368,911,421**	**53,493,149**	**422,404,570**

31 December 2014

	Original amount	Nominal interest rate (%)	Up to 1 year	1 year and over	Total loans and borrowings
Bank Loans-TL	504,101,684	10.25-13.00	401,711,755	102,389,929	504,101,684
Bank Loans-USD	19,416,308	3.65-3.75	45,024,476	-	45,024,476
Bank Loans-Euro	3,560,671	3.75	10,043,585	-	10,043,585
Total			**456,779,816**	**102,389,929**	**559,169,745**

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

15 DEBT SECURITIES ISSUED

As at 31 December 2015 and 2014, debt securities issued comprised the following:

	31 December 2015	31 December 2014
Bonds issued	40,120,388	101,250,616
Bills issued	79,046,795	43,300,730
	119,167,183	**144,551,346**

The list of bonds and bills issued by the Company are as follows:

ISIN CODE	Issue date	Issued Nominal Amount (TL)	Maturity date	Sales type	Coupon period payment
Bills issued					
TRFLDFK11614	15 July 2015	20,000,000	8 January 2016	Qualified invester	Payment at maturity
TRFLDFK21613	14 August 2015	20,000,000	9 February 2016	Qualified invester	Payment at maturity
TRFLDFK41611	23 October 2015	20,000,000	19 April 2016	Qualified invester	Payment at maturity
TRFLDFKK1614	16 November 2015	20,000,000	14 November 2016	Qualified invester	Quarterly
Bonds issued					
TRSLDFK31615	23 September 2014	20,000,000	22 March 2016	Qualified invester	Quarterly
TRSLDFK91619	1 April 2015	20,000,000	28 September2016	Qualified invester	Quarterly

The bonds issued by the Company have floating coupon rates which are recalculated at the beginning of each coupon period with the reference rates of the government debt securities that were issued by the Turkish Undersecretaries of Treasury. The calculations are performed according to the calculation methods defined in related offering circulars of the bonds. All announcements related with the issued bonds are released in the website of the Public Disclosure Platform ("PDP").

The bills issued by the Company which have ISIN Codes TRFLDFK11614, TRFLDFK21613 and TRFLDFK41611 have fixed compound interest rates of 13.06%, 13.32% and 13.86%, respectively.

16 FINANCIAL LEASE PAYABLES

As at 31 December 2015 and 2014, financial lease payables comprised the following:

	31 December 2015	31 December 2014
Future minimum lease payments	24,945,115	23,464,544
Interest (-)	(2,954,954)	(2,352,000)
	21,990,161	**21,112,544**

The Company sold its head office building on 14 December 2015 with sell and lease back agreement and leased back the head office building on 25 December 2015 from a leasing company. Terms of the leasing agreement is one year. After one year, ownership of the property will pass to the Company.

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

17 OTHER LIABILITIES

As at 31 December 2015 and 2014, other liabilities comprised the following:

	31 December 2015	31 December 2014
Taxes and duties other than on income	2,928,964	1,755,866
Payables to suppliers	324,235	247,480
Other payables	49,620	42,689
	3,302,819	**2,046,035**

18 EMPLOYEE BENEFITS

As at 31 December 2015 and 2014, employee benefits comprised the following:

	31 December 2015	31 December 2014
Employee termination benefits provision	2,256,308	1,253,448
Unused vacation provision	830,336	866,200
	3,086,644	**2,119,648**

Employee termination benefits payments

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay, maximum of TL 4,092.53 at 1 January 2016 (1 January 2015: TL 3.438,22) per year of employment at the rate of pay applicable at the date of retirement or termination. The principal assumption used in the calculation of the total liability is that the maximum liability for each year of service will increase in line with inflation semi-annually.

The liability is not funded, as there is no funding requirement.

International Accounting Standard No. 19 ("IAS 19") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The reserve has been calculated by estimating the present value of future probable obligation of the Company arising from the retirement of the employees. Accordingly, the following statistical assumptions were used in the calculation of the following liability as at 31 December 2015 and 2014:

	31 December 2015	31 December 2014
Discount rate (%)	4.67	3.50
Expected rate of salary/limit increase (%)	7.00	6.00
Turnover rate to estimate the probability of retirement (%)	96	97

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

18 EMPLOYEE BENEFITS (Continued)

For the periods ended 31 December, movements in the reserve for employee severance payments are as follows:

	2015	2014
Opening - 1 January	1,253,448	1,003,525
Interest cost	270,757	112,661
Service cost	335,280	327,938
Payments	(391,285)	(231,888)
Actuarial losses	788,108	41,212
Closing - 31 December	**2,256,308**	**1,253,448**

Unused vacation provision

In accordance with current labor law, the Company makes payments for unused vacations of employees. The liability is calculated by the remaining vacation days multiplied by one day's pay.

For the periods ended 31 December, movements in the vacation pay liability are as follows:

	2015	2014
Opening 1 January	866,200	668,495
Increase/(reversal) of provision, net	(35,864)	197,705
Closing - 31 December	**830,336**	**866,200**

19 EQUITY

19.1 Paid-in capital

As at 31 December 2015 and 2014, the nominal value of the Company's authorized and paid-in share capital amounts to TL 30,000,000 comprising 30,000,000 registered shares of par value of 1 TL. Adjustment to share capital represents the restatement effect of the contributions to share capital equivalent to purchasing power of TL at 31 December 2005.

One of the existing shareholders sold 15% of the Company's shares in an initial public offering held in 2014 and the shares started trading on Borsa Istanbul at 19 June 2014.

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

19 EQUITY (Continued)

As at 31 December 2015 and 2014, the composition of the authorized and paid-in share capital was as follows:

	31 December 2015					31 December 2014	
	Share (%)	Group A	Group B	Group C	Total	Share (%)	Total
Nedim Menda	34.85	10,000	10,445,000	-	10,455,000	34.85	10,455,000
Yuda Elenkave	24.95	20,000	7,465,000	-	7,485,000	24.95	7,485,000
Jak Sucaz	10.20	10,000	3,050,000	-	3,060,000	10.20	3,060,000
Credit Suisse Investments (Nederland) B.V.	9.90	-	-	2,970,000	2,970,000	9.90	2,970,000
Raşel Elenkave	5.10	10,000	1,520,000	-	1,530,000	5.10	1,530,000
Publicly Traded	15.00	-	4,500,000	-	4,500,000	15.00	4,500,000
Nominal share capital	**100**	**50,000**	**26,980,000**	**2,970,000**	**30,000,000**	**100**	**30,000,000**
Adjustment to share capital					5,873,808		5,873,808
Total paid-in share capital					**35,873,808**		**35,873,808**

According to the share agreement of the Company, Group A shareholders have the right to appoint a simple majority of the members of the Board. Group B shareholders have economic rights to dividends/distributions and pre-emptive rights with respect to future share issuances as well as the ordinary rights of a shareholder. Group C shareholders have the rights over some decisions of the Company as explained in Article 13 of the Articles of Association of the Company which is available on the corporate website of the Company.

19.2 Legal reserves

The legal reserves are established by annual appropriations amounting to 5% of income disclosed in the Company's statutory accounts until it reaches 20% of paid-in share capital (first legal reserve). Without limit, a further 10% of dividend distributions in excess of 5% of paid-in capital are to be appropriated to increase legal reserves (second legal reserve). The first legal reserve is restricted and is not available for distribution as dividend unless it exceeds 50% of share capital. In the accompanying financial statements, the total of legal reserves is TL 7,540,779 at 31 December 2015 (31 December 2014: TL 5,070,545).

19.3 Revaluation surplus

The asset revaluation reserve is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognized in equity.

19.4 Actuarial differences

Actuarial gains/(losses) arising from changes in discount rates and expected rates of salary/limit increases and other demographic assumptions are recognized in retained earnings.

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

20 EARNINGS PER SHARE

For the periods ended 31 December, the calculation of earnings per share was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding as follows:

	31 December 2015	31 December 2014
Denominator:		
Weighted average number of shares	30,000,000	30,000,000
Numerator:		
Profit for the year	6,373,270	7,389,337
Basic and diluted profit per share	**0.21**	**0.25**

21 FINANCIAL INSTRUMENTS

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

The Company is subject to credit risk through its factoring operations. The Company requires a certain amount of collateral in respect of its financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Company does not enter into factoring transactions with the firms which do not meet the predetermined criteria for credit approval. Credit evaluations are performed on all customers by the Credit Monitoring and Credit Department of the Company based on their authorization limits. The Credit Monitoring and Credit Department of the Company meets every week regularly and performs credit evaluations. The Company has early warning controls with respect to the monitoring of on-going credit risks and the Company regularly performs scoring of the creditworthiness of the customers. A special software program is used to monitor the credit risk of the Company.

The Company has procedures in place to ensure that services are provided to customers with an appropriate credit history. The carrying amount of factoring receivables, net of provision for impairment in factoring receivables, and the total of bank deposits, represent the maximum amount exposed to credit risk.

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

21 FINANCIAL INSTRUMENTS (Continued)

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

	31 December 2015	31 December 2014
Factoring receivables	616,378,272	792,594,702
Other receivables	14,371,116	17,032,213
Cash and cash equivalents (*)	637,265	182,280
	631,386,653	**809,809,195**

(*) Cash on hand is excluded from cash and cash equivalents.

The Company is mainly subject to credit risk through its factoring operations. The Risk Management and Analysis Department of the Company is responsible to manage the credit risk. The Company requires a certain amount of collateral in respect of its financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers.

As at 31 December 2015 and 31 December 2014, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

As at 31 December 2015 and 2014, the breakdown of factoring receivables, excluding unearned income and doubtful receivables, by industrial groups is as follows:

	31 December 2015	(%)	31 December 2014	(%)
Construction	96,863,889	15	105,361,623	13
Iron and steel	92,768,048	14	94,168,619	11
Textile	91,282,815	14	110,854,631	13
Trading	68,309,599	11	55,637,966	7
Automotive	60,497,225	9	64,610,038	8
Food	43,280,525	7	40,375,813	5
Machinery	35,886,805	6	49,060,672	6
Paper and printing	33,280,834	5	62,409,863	8
Rubber and plastics	31,629,549	5	27,318,500	3
Agricultural products	21,397,731	3	30,292,935	4
Wood products	19,483,737	3	20,051,568	2
Chemicals	13,882,504	2	27,176,747	3
Electrics and electronics	13,739,315	2	32,070,645	4
Leather products	2,712,444	-	15,966,789	2
Tourism	1,369,059	-	3,642,465	-
Others	17,566,321	3	84,596,844	11
Total	**643,950,400**	**100**	**823,595,718**	**100**

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

21 FINANCIAL INSTRUMENTS (Continued)

The table below set out information about the credit quality of financial assets and the allowance for impairment/loss held by the Company against those assets.

	31 December 2015			31 December 2014		
	Factoring receivables	**Other receivables**	**Cash and cash equivalents**	**Factoring receivables**	**Other receivables**	**Cash and cash equivalents**
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	**614,383,037**	**14,371,116**	**637,265**	**792,594,702**	**17,032,213**	**182,280**
A) Net carrying value of financial assets which are neither impaired nor overdue	612,916,815	14,371,116	637,265	787,527,294	17,032,213	182,280
B) Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	1,466,222	-	-	5,063,373	-	-
C) Net carrying value of financial assets which are overdue						
but not impaired the net book value	-	-	-	-	-	-
the portion covered by any guarantee	-	-	-	-	-	-
D) Net carrying value of impaired assets	1,995,235	-	-	35	-	-
- Overdue (gross book value)	31,946,710	-	-	19,723,490	-	-
- Impairment (-)	(29,951,475)	-	-	(19,723,455)	-	-
- Covered portion of net book value (with letter of guarantee etc)	-	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc)	-	-	-	-	-	-
E) Off balance sheet items with credit risks	-	-	-	-	-	-

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

21 FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities.

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

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

31 December 2015	Carrying amount	Contractual cash flows	3 months or less	3 to 12 months	1 to 5 years	Over 5 years
Non-derivative financial liabilities	**564,992,621**	**597,137,039**	**165,839,541**	**318,516,105**	**112,781,393**	**-**
Loans and borrowings	422,404,570	445,082,630	163,671,836	211,540,178	69,870,616	-
Finance lease payables	21,990,161	24,948,001	736,998	24,211,003	-	-
Debt securities issued	119,167,183	125,675,701	60,729,461	64,946,239	-	-
Factoring payables	1,430,707	1,430,707	1,430,707	-	-	-

31 December 2014	Carrying amount	Contractual cash flows	3 months or less	3 to 12 months	1 to 5 years	Over 5 years
Non-derivative financial liabilities	**725,906,052**	**784,782,321**	**408,759,893**	**213,001,735**	**163,020,693**	**-**
Loans and borrowings	559,169,745	604,688,834	383,062,951	79,208,323	142,417,560	-
Factoring payables	782,248	782,248	782,248	-	-	-
Finance lease payables	21,112,544	23,352,000	588,000	22,764,000	-	-
Debt securities issued	144,551,346	155,669,070	24,036,525	111,029,412	20,603,133	-
Other payables	290,169	290,169	290,169	-	-	-

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows of fair values of financial instruments because of a change in market interest rates. All the financial instruments have fixed interest rates except for the loans and debt securities which have floating interest rates.

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. In the case of floating rate assets and liabilities the Company is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices and different types of interest. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the Company's business strategies.

(Amounts expressed in Turkish Lira (“TL”) unless otherwise stated.)

21 FINANCIAL INSTRUMENTS (Continued)

The tables below summarize average effective interest rates by major currencies for monetary financial instruments as at 31 December 2015 and 31 December 2014:

	31 December 2015			31 December 2014		
	USD (%)	**Euro (%)**	**TL (%)**	**USD (%)**	**Euro (%)**	**TL (%)**
Assets						
Factoring receivables	20.25	19.31	22.93	14.34	15.56	19.20
Liabilities						
Loans and borrowings	3.50	3.70	14.33	3.85	3.75	12.65
Debt securities issued	-	-	13.37	-	-	11.68
Finance lease liabilities	-	-	13.40	-	-	11.20

Interest rate profile

As at 31 December 2015 and 31 December 2014, the interest rate profiles of the interest-bearing financial instruments were as follows:

Carrying amount	**31 December 2015**	**31 December 2014**
Fixed rate instruments		
Factoring receivables, net	614,383,037	792,594,702
Finance lease payables	(21,990,161)	(21,122,544)
Loans and borrowings	(194,848,605)	(272,735,840)
Debt securities issued	(79,046,795)	(43,300,730)
Variable rate instruments		
Loans and borrowings	(227,555,965)	(286,433,905)
Debt securities issued	(40,120,388)	(101,250,616)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Additionally, the Company does not account for any fixed rate financial assets and liabilities as available-for-sale. Therefore a change in interest rates at the reporting date would not directly affect equity.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates as at 31 December 2015 and 31 December 2014 would have increased or decreased profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity(*)	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
31 December 2015				
Variable rate instruments	(433,118)	433,118	(433,118)	433,118
31 December 2014				
Variable rate instruments	(720,365)	720,365	(720,365)	720,365

(*) Inluding profit or loss effects.

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

21 FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk

The Company is exposed to currency risk through transactions in foreign currencies. As the currency in which the Company presents its financial statements is TL, the financial statements are affected by movements in the exchange rates against TL.

As at 31 December 2015 and 2014, the currency risk exposures are as follows (TL equivalents):

31 December 2015

	USD	Euro	Total
Cash and cash equivalents	-	-	-
Factoring receivables	25,596,781	31,744,474	57,341,255
Loans and borrowings	(24,346,501)	(31,744,460)	(56,090,961)
Other liabilities	(7,419)	-	(7,419)
Net exposure	**1,242,861**	**14**	**1,242,875**

31 December 2014

	USD	Euro	Total
Factoring receivables	45,232,482	9,982,987	55,215,469
Other assets	221	-	221
Loans and borrowings	(44,959,709)	(10,006,217)	(54,965,926)
Net exposure	**272,994**	**(23,230)**	**249,764**

The following significant exchange rates applied during the years ended 31 December 2015 and 2014:

	Average rate		Reporting date	
	31 December 2015	**31 December2014**	**31 December 2015**	**31 December 2014**
USD	2.7188	2.1863	2.9076	2.3189
Euro	3.0181	2.9046	3.1776	2.8207

Sensitivity analysis

A 10 percent depreciation of the TL against the following currencies at 31 December 2015 and 2014 would have increased equity and profit or loss by the amounts shown below.

This analysis assumes that all other variables, in particular interest rates, remain constant.

31 December 2015	**Equity**	**Profit or loss**
USD	124,286	124,286
Euro	1	1
	124,287	**124,287**

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

21 FINANCIAL INSTRUMENTS (Continued)

31 December 2014	**Equity**	**Profit or loss**
USD	27,299	27,299
Euro	(2,323)	(2,323)
	24,976	**24,976**

A 10 percent strengthening in the TL against the foreign currencies as at 31 December 2015 and 2014 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to meet local regulatory requirements.

Fair Value

As at 31 December 2015 and 2014, the carrying amounts and fair values of financial instruments are as follows:

	31 December 2015		**31 December 2014**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Cash and cash equivalents	654,625	654,625	201,134	201,134
Factoring receivables	614,383,037	614,383,037	792,594,667	792,594,667
Financial liabilities				
Borrowings	422,404,570	445,082,631	559,169,745	561,117,048
Finance lease payables	21,990,161	21,990,161	21,112,544	21,112,544
Debt securities issued	119,167,183	123,225,530	144,551,346	146,135,805
Factoring payables	1,430,707	1,430,707	782,248	782,248

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that is observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value measurement for buildings have been categorised as Level 2 fair values based on observable market base data.

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

21 FINANCIAL INSTRUMENTS (Continued)

31 December 2015	Level 1	Level 2	Level 3	Total
Financial assets at fair value through profit and loss	57,139	-	-	57,139
Total	**57,139**	**-**	**-**	**57,139**

Regional

Assets	31 December 2015	31 December 2014
Turkey	664,681,033	838,567,335
Other	-	-
Total assets	**664,681,033**	**838,567,335**

Liabilities	31 December 2015	31 December 2014
Turkey	543,073,415	666,658,984
Europe	121,607,618	171,908,351
Total liabilities	**664,681,033**	**838,567,335**

22 COMMITMENTS AND CONTINGENCIES

Commitments and contingent liabilities arising in the ordinary course of business comprised the following items as at 31 December 2015 and 2014:

	31 December 2015	31 December 2014
Collaterals received		
Personal guarantees	3,635,425,530	-
Cheques and notes received as collateral	472,108,245	55,491,474
	4,107,533,775	**55,491,474**

	31 December 2015	31 December 2014
Letters of guarantee		
Given to banks	20,290,760	169,300
	20,290,760	**169,300**

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

22 COMMITMENTS AND CONTINGENCIES (Continued)

The table below indicates the guarantees received by the Company due to the factoring transactions

	31 December 2015	31 December 2014
Customer cheques	618,924,081	810,957,448
Customer notes	49,989,452	56,761,160
	668,913,533	**867,718,608**

23 RELATED PARTY DISCLOSURES

As at 31 December 2015 and 31 December 2014, related party balances are as follows:

	31 December 2015	31 December 2014
Borrowings		
Credit Suisse AG London Branch	121,607,618	171,908,351
	121,607,618	**171,908,351**

The following related party transactions are listed for the periods ended 31 December:

	31 December 2015	31 December 2014
Interest expense		
Credit Suisse AG London Branch	24,428,764	28,657,154
	24,428,764	**28,657,154**

For the purpose of accompanying financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and investments are considered and referred to as the related parties. Total benefit of key management for the year ended 31 December 2015 was amounting to TL 6,028,519 (31 December 2014: TL 6,201,472).

24 EVENTS AFTER THE REPORTING PERIOD

(i) On 8 January 2016, the bill, which the Company has issued to qualified investors on 15 July 2015 with ISIN Code of "TRFLDFK11614" and nominal value of TL 20,000,000 has expired.

(ii) On 8 January 2016, the Company has issued a bill which has ISIN Code of "TRFLDFK71618" and nominal value of TL 40,000,000 to qualified investors. The maturity date of the related bill is 1 July 2016.

(iii) On 9 February 2016, the Company has issued a bill which has ISIN Code of "TRFLDFK81617" and nominal value of TL 15,000,000 to qualified investors. The maturity date of the related bill is 5 August 2016.

……………………