

LİDER FAKTORİNG A.Ş.

**FINANCIAL STATEMENTS
FOR THE INTERIM PERIOD
1 JANUARY - 30 JUNE 2015
WITH INDEPENDENT AUDITORS' 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 interim balance sheet as at 30 June 2015 and the statements of comprehensive income, changes in equity and cash flows for the six-month period 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 Accounting Standard 34 "Interim financial reporting" 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 30 June 2015 and of its financial performance and cash flows for the six-month period then ended in accordance with International Accounting Standard 34 "Interim financial reporting".

Other matter

5. The financial statements of the Company for the interim period ended as at 30 June 2014 and for the year ended 31 December 2014 were audited by another firm of auditors whose reports, dated 8 August 2014 and 6 February 2015 respectively, expressed an unmodified opinion on those statements.

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

A handwritten signature in blue ink, appearing to read "Didem", is written over a light blue horizontal line.

Didem Demer Kaya, SMMM
Partner

Istanbul, 14 August 2015

LİDER FAKTORİNG A.Ş.

FINANCIAL STATEMENTS AT 30 JUNE 2015

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LİDER FAKTORİNG A.Ş.**STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015**

(Currency: Turkish Lira ("TL") unless otherwise stated)

| | Notes | 30 June 2015 | 31 December 2014 |
|--|-------|--------------------|--------------------|
| ASSETS | | | |
| Cash and cash equivalents | 8 | 218,380 | 201,134 |
| Factoring receivables | 9 | 752,737,251 | 792,594,702 |
| Property and equipment | 10 | 24,725,383 | 24,760,201 |
| Intangible assets | 11 | 72,989 | 102,555 |
| Deferred tax assets | 7 | 4,181,879 | 3,717,870 |
| Other assets and prepaid expenses | 12 | 17,257,091 | 17,190,873 |
| Total assets | | 799,192,973 | 838,567,335 |
| LIABILITIES | | | |
| Funds borrowed | 13 | 531,389,879 | 559,169,745 |
| Debt securities issued | 14 | 143,642,201 | 144,551,346 |
| Finance lease payables | 15 | 21,097,894 | 21,112,544 |
| Factoring payables | 9 | 900,381 | 782,248 |
| Current income taxes payable | 7 | 580,200 | 1,645,416 |
| Other liabilities | 16 | 3,467,603 | 2,046,035 |
| Reserve for employment termination benefits | 17 | 1,868,987 | 2,119,648 |
| Total liabilities | | 702,947,145 | 731,426,982 |
| EQUITY | | | |
| Share capital | 18 | 35,873,808 | 35,873,808 |
| Revaluation surplus | 18 | 20,477,229 | 20,477,229 |
| Remeasurements of employment termination benefits, net of tax | | 315,100 | 192,726 |
| Legal reserves | 18 | 6,490,012 | 5,070,545 |
| Retained earnings | | 33,089,679 | 45,526,045 |
| Total equity | | 96,245,828 | 107,140,353 |
| Total liabilities and equity | | 799,192,973 | 838,567,335 |

The notes on pages 5 to 38 are an integral part of these financial statements.

LİDER FAKTORİNG A.Ş.
PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT
FOR THE INTERIM PERIOD ENDED 30 JUNE 2015

(Currency: Turkish Lira ("TL") unless otherwise stated)

| | Notes | 1 January - 30 June 2015 | 1 January - 30 June 2014 |
|--|--------|-----------------------------|-----------------------------|
| Interest income | | | |
| Interest income on factoring receivables | | 55,861,320 | 48,666,868 |
| Total interest income | | 55,861,320 | 48,666,868 |
| Interest expense | | | |
| Interest expense on funds borrowed | | (28,572,219) | (27,085,436) |
| Interest expense on debt securities | | (9,513,820) | (5,565,118) |
| Finance lease payables | | (1,161,350) | (1,079,037) |
| Total interest expense | | (39,247,389) | (33,729,591) |
| Net interest income | | 16,613,931 | 14,937,277 |
| Fee and commission income on factoring transactions | | 5,458,557 | 6,567,330 |
| Fee and commission expense on banking transactions (-) | | (358,887) | (280,993) |
| Fee and commission income, net | | 5,099,670 | 6,286,337 |
| Gross profit | | 21,713,601 | 21,223,614 |
| Foreign exchange (losses)/gains, net | | (55,112) | (300,875) |
| Other operating income | | 1,353,277 | 7,856,000 |
| Operating income | | 23,011,766 | 28,778,739 |
| Impairment loss on factoring receivables (-) | 9 | (8,207,875) | (10,147,200) |
| Personnel expenses (-) | 6 | (10,940,479) | (11,475,161) |
| Administrative expenses (-) | 5 | (2,484,937) | (4,096,645) |
| Depreciation and amortization (-) | 10, 11 | (143,292) | (151,723) |
| Profit before income tax | | 1,235,183 | 2,908,010 |
| Income tax expense | 7 | (252,082) | (487,263) |
| Current period profit | | 983,101 | 2,420,747 |
| Other comprehensive income | | 122,374 | - |
| Re-measurements of employee termination benefits | | 152,968 | - |
| Deferred tax effect | | (30,594) | - |
| Total comprehensive income | | 1,105,475 | 2,420,747 |
| Total comprehensive income | | 1,105,475 | 2,420,747 |
| Earnings per share | | | |
| Basic earnings per share (TL) | 19 | 0.03 | 0.08 |
| Diluted earnings per share (TL) | 19 | 0.03 | 0.08 |

The notes on pages 5 to 38 are an integral part of these financial statements.

LİDER FAKTORİNG A.Ş.**CHANGES IN EQUITY STATEMENT FOR THE INTERIM PERIOD ENDED 30 JUNE 2015**

(Currency: Turkish Lira ("TL") unless otherwise stated)

| | Nominal share capital | Inflationary effect on 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 |
| Total comprehensive income for the period | | | | | | | |
| Current period income | - | - | - | - | - | 2,420,747 | 2,420,747 |
| Transfer to legal reserves | - | - | - | - | 377,467 | (377,467) | - |
| Other comprehensive income | - | - | - | - | - | - | - |
| Total | 30,000,000 | 5,873,808 | 18,400,666 | 225,696 | 5,070,545 | 40,557,455 | 100,128,170 |
| Transactions with owners, recorded directly to equity | - | - | - | - | - | - | - |
| Balances at 30 June 2014 | 30,000,000 | 5,873,808 | 18,400,666 | 225,696 | 5,070,545 | 40,557,455 | 100,128,170 |
| 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 |
| Total comprehensive income for the period | | | | | | | |
| Current period income | - | - | - | - | - | 983,101 | 983,101 |
| Transfer to legal reserves | - | - | - | - | 1,419,467 | (1,419,467) | - |
| Dividend paid | - | - | - | - | - | (12,000,000) | (12,000,000) |
| Other comprehensive income | - | - | - | 122,374 | - | - | 122,374 |
| Total | 30,000,000 | 5,873,808 | 20,477,229 | 315,100 | 6,490,012 | 33,089,679 | 96,245,828 |
| Transactions with owners, recorded directly to equity | - | - | - | - | - | - | - |
| Balances at 30 June 2015 | 30,000,000 | 5,873,808 | 20,477,229 | 315,100 | 6,490,012 | 33,089,679 | 96,245,828 |

(*) These amounts include revaluation funds of buildings (Note 10).

The notes on pages 5 to 38 are an integral part of these financial statements.

LİDER FAKTORİNG A.Ş.
STATEMENT OF CASH FLOW FOR THE INTERIM PERIOD
ENDED 30 JUNE 2015

(Currency: Turkish Lira ("TL") unless otherwise stated)

| | Notes | 1 January - 30 June 2015 | 1 January - 30 June 2014 |
|--|----------|-----------------------------|-----------------------------|
| Cash flows from operating activities: | | | |
| Net profit for the period | | 983,101 | 2,420,747 |
| Components of net profit not generating or using cash | | | |
| Depreciation and amortisation | 10, 11 | 143,292 | 151,723 |
| Provision for employee severance payments | 17 | 228,889 | 159,181 |
| (Release)/provision for vacation pay liability | 17 | (161,020) | 229,398 |
| Net interest income | | (16,613,931) | (14,937,277) |
| Income tax expense | 7 | 252,082 | 487,263 |
| Provision for doubtful receivables | 9 | 8,207,875 | 10,147,200 |
| Changes in operating assets and liabilities | | | |
| Change in factoring receivables | | 31,649,576 | (85,974,283) |
| Change in factoring payables | | (14,650) | 73,068 |
| Change in other assets | | (66,218) | (14,000,472) |
| Change in other liabilities | | 1,432,414 | 77,909 |
| Interest received | | 55,854,045 | 48,590,063 |
| Interest paid | | (38,587,245) | (32,550,400) |
| Employee severance paid | 17 | - | (174,290) |
| Income taxes paid | 7 | (1,811,901) | (516,811) |
| Net cash provided from/(used in) operating activities | | 41,496,309 | (85,816,981) |
| Investing activities: | | | |
| Purchase of property and equipment | 10 | (77,717) | (84,190) |
| Purchase of intangible assets | 11 | - | (30,068) |
| Net cash used in investing activities | | (77,717) | (114,258) |
| Financing activities: | | | |
| Proceeds from loans and borrowings | | 507,597,143 | 316,935,019 |
| Repayment of loans and borrowings | | (508,543,894) | (230,854,923) |
| Proceeds from debt securities | | 85,000,000 | 68,719,188 |
| Repayment of debt securities | | (86,000,000) | (68,989,198) |
| Dividend paid | | (12,000,000) | - |
| Net cash (used in)/provided financing activities | | (41,402,535) | 85,810,086 |
| Net increase/(decrease) in cash and cash equivalents | | 16,057 | (121,153) |
| Cash and cash equivalents at 1 January | 8 | 201,134 | 930,154 |
| Cash and cash equivalents at 30 June | 8 | 217,191 | 809,001 |

The notes on pages 5 to 38 are an integral part of these financial statements.

LİDER FAKTORİNG A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 30 JUNE 2015

(Currency: Turkish Lira (“TL”) unless otherwise stated)

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 167 employees as at 30 June 2015 (31 December 2014: 178).

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

2 BASIS OF PREPARATION

(a) Statement of compliance

These interim financial statements for the six months period ended 30 June 2015 have been prepared in accordance with International Accounting Standards 34 (“IAS”), “Interim financial reporting”. The interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2015, which have been prepared in accordance with International Financial Reporting Standards (“IFRSs”).

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 financial statements of the Company as at and for the period ended 30 June 2015 have been approved by the Company management on 4 August 2015. The General Assembly of the Company and certain regulatory bodies has the power to amend the statutory financial statements after their issue.

(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.

LİDER FAKTORİNG A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 30 JUNE 2015

(Currency: Turkish Lira ("TL") unless otherwise stated)

2 BASIS OF PREPARATION (Continued)

(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 recognised 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 30 June 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 recognised in profit or loss.

(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 recognises loans and receivables issued on the date when they are originated. All other financial assets and financial liabilities are initially recognised on the trade date.

LİDER FAKTORİNG A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 30 JUNE 2015

(Currency: Turkish Lira ("TL") unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Company derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows 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 derecognised financial assets that is created or retained by the Company is recognised 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 realise the asset and settle the liability simultaneously.

Amortised cost measurement

The amortised 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 amortisation using the effective interest method of any difference between the initial amount recognised 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 amortised 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 amortised 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 amortised cost.

(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 recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Such financial liabilities are recognised 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 derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

LİDER FAKTORİNG A.Ş.
NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 30 JUNE 2015

(Currency: Turkish Lira ("TL") unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

Loans and borrowings, debt securities issued and finance lease payables

Loans and borrowings, debt securities issued and finance lease payables are recognised 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 amortised cost with any difference between cost and redemption value being recognised 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.

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 recognised in profit or loss statement.

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NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 30 JUNE 2015

(Currency: Turkish Lira ("TL") unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Subsequent expenditure

Subsequent expenditure is capitalised 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 recognised 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 amortisation and impairment losses, if any. Intangible assets acquired after 1 January 2006 are measured at cost, less accumulated amortisation and impairment losses, if any. Amortisation 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.

(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 recognised at an amount equal to the fair value of the underlying asset; subsequently, the liability is reduced as payments are made and an imputed finance cost on the liability is recognised using the 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 recognised in the Company's statement of financial position.

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NOTES TO THE FINANCIAL STATEMENTS
AS AT AND FOR THE YEAR ENDED 30 JUNE 2015

(Currency: Turkish Lira ("TL") unless otherwise stated)

3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Lease payments

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

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

(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 amortised cost

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

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the 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 recognised, then the previously recognised 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

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3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 recognised 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.

(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 recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised 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 amortisation, if no impairment loss had been recognised.

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3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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 recognised 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.

(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.

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3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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.

(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.

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3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) New standards, amendments and interpretations effective as of 30 June 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.

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 30 June 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.

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3 SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Standards and amendments issued but not yet effective as of 30 June 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 recognise 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 recognise 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 recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised 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, “Interim 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.

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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.

5 ADMINISTRATIVE EXPENSES

For the periods ended 30 June, administrative expenses comprised the following:

| | 1 January - 30 June 2015 | 1 January - 30 June 2014 |
|---------------------------------------|-------------------------------------|-------------------------------------|
| Rent expenses | 801,965 | 784,621 |
| Consultancy expenses | 267,153 | 356,324 |
| Travelling expenses | 192,163 | 251,579 |
| Office supplies expenses | 190,695 | 178,604 |
| Communication expenses | 129,505 | 132,488 |
| Legal and court expenses | 237,387 | 157,129 |
| Maintenance and repair expenses | 65,728 | 63,457 |
| Taxes and duties other than on income | 35,849 | 41,448 |
| Advertising expenses | 8,850 | 1,234,493 |
| Others | 555,642 | 896,502 |
| | 2,484,937 | 4,096,645 |

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6 PERSONNEL EXPENSES

For the periods ended 30 June, personnel expenses comprised the following:

| | 1 January - 30 June 2015 | 1 January - 30 June 2014 |
|---|-------------------------------------|-------------------------------------|
| Salary expenses | 6,244,962 | 6,756,170 |
| Board of directors salary expenses | 3,180,191 | 3,070,981 |
| Social security premium employer’s share expenses | 932,646 | 892,016 |
| Meal expenses | 353,791 | 367,415 |
| Provision for employee severance expenses | 228,889 | 159,181 |
| Unused vacation expenses | - | 229,398 |
| | 10,940,479 | 11,475,161 |

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.

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7 TAXATION (Continued)

The income tax expense for the periods ended 30 June comprised the following items:

| | 1 January - 30 June 2015 | 1 January - 30 June 2014 |
|---|-------------------------------------|-------------------------------------|
| Current tax expense | | |
| Current period income tax expense | (746,685) | (853,528) |
| | (746,685) | (853,528) |
| Deferred tax income | | |
| Origination and reversal of temporary differences | 494,603 | 366,265 |
| | 494,603 | 366,265 |
| Total tax expense for the period | (252,082) | (487,263) |

The reported tax expense for the periods ended 30 June are different than the amounts computed by applying the statutory tax rate to profit before tax as shown in the following reconciliation:

| | 1 January - 30 June 2015 | 1 January - 30 June 2014 |
|---|-------------------------------------|-------------------------------------|
| Profit before income taxes | 1,235,183 | 2,908,010 |
| Theoretical tax charge at the applicable tax rate 20% | (247,037) | (581,602) |
| Tax effect of items which are not deductible or assessable for taxation purposes (-) | (23,513) | - |
| Income exempt from taxation | 18,468 | 94,339 |
| Total tax expense for the period | (252,082) | (487,263) |

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 30 June 2015 and 31 December 2014 comprised the following:

| | 30 June 2015 | 31 December 2014 |
|---|---------------------|-------------------------|
| Taxes on income | 746,685 | 3,070,104 |
| Less: Corporation taxes paid in advance | (166,485) | (1,424,688) |
| Current tax liabilities | 580,200 | 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.

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7 TAXATION (Continued)

Deferred tax assets and deferred tax liabilities as at 30 June 2015 and 31 December 2014 were attributable to the items detailed in the table below:

| | <u>Cumulative temporary differences</u> | | <u>Deferred tax assets/ (liabilities)</u> | |
|---|---|-------------------------|---|-------------------------|
| | <u>30 June 2014</u> | <u>31 December 2013</u> | <u>30 June 2014</u> | <u>31 December 2013</u> |
| <u>Deferred tax asset</u> | | | | |
| Provision for impaired factoring receivables | 17,921,407 | 14,598,866 | 3,584,281 | 2,919,773 |
| Deferred commission income | 2,085,565 | 2,538,783 | 417,113 | 507,757 |
| Reserve for employment termination benefits | 1,868,987 | 2,119,648 | 373,797 | 423,930 |
| | 21,875,959 | 19,257,297 | 4,375,191 | 3,851,460 |
| <u>Deferred tax liability</u> | | | | |
| Temporary differences on borrowings and issued marketable securities | (668,054) | (250,047) | (133,611) | (50,009) |
| Effects of useful life differences of property and equipment, and intangible assets | (49,030) | (173,210) | (9,806) | (34,643) |
| Valuation difference between carrying values and tax base of property and equipment (*) | (997,933) | (978,755) | (49,895) | (48,938) |
| | (1,715,017) | (1,402,012) | (193,312) | (133,590) |
| Net deferred tax asset | | | 4,181,879 | 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 26 December 2014. 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.

The movement of deferred assets for the periods ended 30 June were as follows:

| | 30 June 2015 | 30 June 2014 |
|--|---------------------|---------------------|
| Balance at 1 January | 3,717,870 | 2,408,498 |
| Deferred tax income recognized in profit or loss | 464,009 | 366,265 |
| | 4,181,879 | 2,774,763 |

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8 CASH AND CASH EQUIVALENTS

As at 30 June 2015 and 31 December 2014, cash and cash equivalents comprised the following:

| | 30 June 2015 | 31 December 2014 |
|--------------------------|---------------------|-------------------------|
| Cash at banks | 193,644 | 182,280 |
| - <i>Demand deposits</i> | <i>193,644</i> | <i>182,280</i> |
| Cash on hand | 24,736 | 18,854 |
| | 218,380 | 201,134 |

As at 30 June 2015 and 31 December 2014, there are no time deposits.

As at 30 June 2015 and 31 December 2014, there is no blockage on cash and cash equivalents.

9 FACTORING RECEIVABLES AND PAYABLES

As at 30 June 2015 and 31 December 2014, factoring receivables comprised the following:

| | 30 June 2015 | 31 December 2014 |
|--|---------------------|-------------------------|
| Domestic factoring receivables | 786,087,687 | 823,595,718 |
| Doubtful receivables | 26,745,639 | 19,723,490 |
| Factoring receivables, gross | 812,833,326 | 843,319,208 |
| Unearned income on factoring transactions | (33,424,635) | (31,001,051) |
| Provision for impairment in doubtful receivables | (26,671,440) | (19,723,455) |
| Factoring receivables, net | 752,737,251 | 792,594,702 |

As at 30 June 2015 and 31 December 2014, maturity of factoring receivables excluding unearned income and doubtful receivables are as follows:

| | 30 June 2015 | 31 December 2014 |
|---------------------|---------------------|-------------------------|
| Up to 1 month | 125,118,503 | 187,288,207 |
| 1 month to 3 months | 276,729,070 | 321,218,035 |
| 3 months to 1 year | 347,427,626 | 307,678,727 |
| 1 year and over | 36,812,488 | 7,410,749 |
| | 786,087,687 | 823,595,718 |

The Company has obtained the following collaterals for its receivables as at 30 June 2015 and 31 December 2014:

| | 30 June 2015 | 31 December 2014 |
|---|---------------------|-------------------------|
| Customer notes and cheques obtained as collateral | 764,548,434 | 840,597,578 |

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9 FACTORING RECEIVABLES AND PAYABLES (Continued)

As at 30 June 2015, carrying value of the Company's restructured factoring receivables is amounting to TL 2,576,045 (31 December 2014: TL 5,063,873).

As at 30 June 2015 and 31 December 2014, maturity profile of the doubtful receivables and the specific allowance for them are as follows:

| | 30 June 2015 | | 31 December 2014 | |
|----------------------|-----------------------------|---------------------------|-----------------------------|---------------------------|
| | Doubtful receivables | Specific allowance | Doubtful receivables | Specific allowance |
| Past due 0-3 months | 3,031,625 | 2,957,426 | 2,911,099 | 2,911,099 |
| Past due 3-6 months | 3,031,279 | 3,031,279 | 1,147,334 | 1,147,334 |
| Past due 6-12 months | 5,075,408 | 5,075,408 | 4,747,267 | 4,747,267 |
| Past due over 1 year | 15,607,327 | 15,607,327 | 10,917,790 | 10,917,755 |
| Total | 26,745,639 | 26,671,440 | 19,723,490 | 19,723,455 |

The aging analysis of the factoring receivables past due but not impaired is as follows:

| | 30 June 2015 | 31 December 2014 |
|--------------|---------------------|-------------------------|
| 1 - 3 months | 74,164 | - |

Movements in the total provision for impairment in the doubtful receivables for the periods ended 30 June were as follows:

| | 2015 | 2014 |
|---|-------------------|-------------------|
| Balance at 1 January | 19,723,455 | 21,102,487 |
| Net change | | |
| - Allowance for the period | 8,207,875 | 10,147,200 |
| - Recoveries of amounts previously provided for | (1,259,890) | (7,566,504) |
| Written-off during the period (*) | - | (6,375,193) |
| Balance at period end | 26,671,440 | 17,307,990 |

(*) These amounts include TL 6,375,193 written-off amount which is sold to Final Varlık Yönetimi A.Ş.

As at 30 June 2015, factoring payables amounting to TL 900,381 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).

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10 PROPERTY AND EQUIPMENT

Movements of property and equipment for 30 June 2015 and 31 December 2014 are as follows:

| | Buildings | Motor vehicles | Furniture and fixtures | Leasehold improvements | Total |
|------------------------------------|-------------------|-----------------------|-------------------------------|-------------------------------|--------------------|
| Cost | | | | | |
| Balance at 1 January 2014 | 22,016,000 | - | 1,420,773 | 234,295 | 23,671,068 |
| Additions | 23,029,714 | - | 88,606 | 28,178 | 23,146,498 |
| Disposals (-) | (20,795,714) | - | - | - | (20,795,714) |
| Balance at 31 December 2014 | 24,250,000 | - | 1,509,379 | 262,473 | 26,021,852 |
| Balance at 1 January 2015 | 24,250,000 | - | 1,509,379 | 262,473 | 26,021,852 |
| Additions | - | - | 64,843 | 8,276 | 73,119 |
| Balance at 30 June 2015 | 24,250,000 | - | 1,574,222 | 270,749 | 26,094,971 |
| | Buildings | Motor vehicles | Furniture and fixtures | Leasehold improvements | Total |
| Accumulated Depreciation | | | | | |
| Balance at 1 January 2014 | - | - | (901,126) | (139,394) | (1,040,521) |
| Depreciation for the period | - | - | (184,332) | (36,798) | (221,130) |
| Balance at 31 December 2014 | - | - | (1,085,458) | (176,193) | (1,261,651) |
| Balance at 1 January 2015 | - | - | (1,085,458) | (176,193) | (1,261,651) |
| Depreciation for the period | - | - | (89,174) | (18,763) | (107,937) |
| Balance at 30 June 2015 | - | - | (1,174,632) | (194,956) | (1,369,588) |
| Carrying amounts | | | | | |
| At 31 December 2014 | 24,250,000 | - | 423,921 | 86,280 | 24,760,201 |
| At 30 June 2015 | 24,250,000 | - | 399,59 | 75,793 | 24,725,383 |

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 last valuation was done in December 2014 and January 2015.

As at 30 June 2015, total amount of insurance coverage on property and equipment is TL 6,915,203 (31 December 2014: TL 5,571,540).

As at 30 June 2015, the net carrying amount of finance leased building is TL 21,000,000 (31 December 2014: TL 21,000,000).

The Company sold its head office building on 15 December 2014 with sell and lease back agreement and leased back the head office building on 26 December 2014 from a leasing company. Terms of the leasing agreement is one year. After one year, ownership of the property will pass to the Company.

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11 INTANGIBLE ASSETS

Movements of intangible assets for 30 June 2015 and 31 December 2014 are as follows:

| | Software |
|------------------------------------|------------------|
| Cost | |
| Balance at 1 January 2014 | 546,899 |
| Additions | 63,215 |
| Disposals | - |
| Balance at 31 December 2014 | 610,114 |
| Balance at 1 January 2015 | 610,114 |
| Additions | 4,598 |
| Balance at 30 June 2015 | 614,712 |
| Accumulated amortisation | |
| 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) |
| Amortisation for the year | (34,164) |
| Balance at 30 June 2015 | (541,723) |
| Carrying amounts | |
| At 31 December 2014 | 102,555 |
| At 30 June 2015 | 72,989 |

As at 30 June 2015 and 31 December 2014, the Company does not have any intangible assets generated within the Company.

12 OTHER ASSETS AND PREPAID EXPENSES

As at 30 June 2015 and 31 December 2014, other assets and prepaid expenses comprised the following:

| | 30 June 2015 | 31 December 2014 |
|-------------------------------------|---------------------|-------------------------|
| Advances given (*) | 12,385,414 | 12,498,386 |
| Receivables from tax authority (**) | 4,060,588 | 4,060,588 |
| Receivables from legal cases | 537,936 | 390,905 |
| Prepaid expenses | 197,707 | 158,660 |
| Other | 75,446 | 82,334 |
| | 17,257,091 | 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.

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12 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.

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12 OTHER ASSETS AND PREPAID EXPENSES (Continued)

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.

As at 30 June 2015 the Company recognized the total payment amounting to TL 4,060,588 as mentioned above as "other receivables" since the chance of winning the suitcases is virtually certain according to the above precedent decision.

13 LOANS AND BORROWINGS

As at 30 June 2015 and 31 December 2014, loans and borrowings comprised the following:

30 June 2015

| | Original amount | Nominal interest rate (%) | Up to 1 year | 1 year and over | Total loans and borrowings |
|-----------------|------------------------|----------------------------------|---------------------|------------------------|-----------------------------------|
| Bank Loans-TL | 474,674,899 | 11.00-15.25 | 393,580,070 | 81,094,829 | 474,674,899 |
| Bank Loans-USD | 13,918,477 | 2.50-3.75 | 37,389,205 | - | 37,389,205 |
| Bank Loans-Euro | 6,480,375 | 2.50-3.75 | 19,325,775 | - | 19,325,775 |
| Total | | | 450,295,050 | 81,094,829 | 531,389,879 |

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 |

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14 DEBT SECURITIES ISSUED

As at 30 June 2015 and 31 December 2014, debt securities issued comprised the following:

| | 30 June 2015 | 31 December 2014 |
|--------------|---------------------|-------------------------|
| Bonds issued | 80,837,196 | 101,250,616 |
| Bills issued | 62,805,005 | 43,300,730 |
| | 143,642,201 | 144,551,346 |

The list of bonds and bill issued by the Company is as follows:

| ISIN CODE | Issue date | Issued Nominal Amount(TL) | Maturity date | Sales type | Coupon period payment |
|---------------------|-------------------|--|----------------------|--------------------|--------------------------------------|
| <i>Bonds issued</i> | | | | | |
| TRSLDFKK1510 | 8 May 2014 | 40,000,000 | 5 November 2015 | Qualified investor | Quarterly |
| TRSLDFK31516 | 23 September 2014 | 20,000,000 | 22 March 2016 | Qualified investor | Quarterly |
| TRSLDFK91619 | 1 April 2015 | 20,000,000 | 28 September 2016 | Qualified investor | Quarterly |
| <i>Bills issued</i> | | | | | |
| TRFLDFK71519 | 22 January 2015 | 32,000,000 | 27 July 2015 | Qualified investor | Payment at maturity |
| TRFLDFKA1517 | 22 June 2015 | 21,000,000 | 18 December 2015 | Qualified investor | Payment at maturity |
| TRFLDFKK1515 | 21 May 2015 | 12,000,000 | 16 November 2015 | Qualified investor | Payment at maturity |

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 TRFLDFK71519, TRFLDFKK1515, and TRFLDFKA1517 have fixed compound interest rates of 10.51%, 13.96% and 13.97%, respectively.

15 FINANCE LEASE PAYABLES

As at 30 June 2015 and 31 December 2014, financial lease payables comprised the following:

| | 30 June 2015 | 31 December 2014 |
|-------------------------------|---------------------|-------------------------|
| Future minimum lease payments | 22,273,894 | 23,464,544 |
| Interest | (1,176,000) | (2,352,000) |
| | 21,097,894 | 21,112,544 |

The Company sold its head office building on 15 December 2014 with sell and lease back agreement and leased back the head office building on 26 December 2014 from a leasing company. Terms of the leasing agreement is one year. After one year, ownership of the property will pass to the Company.

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16 OTHER LIABILITIES

As at 30 June 2015 and 31 December 2014, other liabilities comprised the following:

| | 30 June 2015 | 31 December 2014 |
|---------------------------------------|---------------------|-------------------------|
| Taxes and duties other than on income | 3,118,072 | 1,755,866 |
| Payables to suppliers | 277,510 | 247,480 |
| Others | 72,021 | 42,689 |
| | 3,467,603 | 2,046,035 |

17 EMPLOYEE BENEFITS

As at 30 June 2015 and 31 December 2014, employee benefits comprised the following:

| | 30 June 2015 | 31 December 2014 |
|---|---------------------|-------------------------|
| Reserve for employee severance payments | 1,163,807 | 1,253,448 |
| Vacation pay liability | 705,180 | 866,200 |
| | 1,868,987 | 2,119,648 |

Reserve for employee severance 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 3.541,37 (Full TL) at 30 June 2015 (31 December 2014: TL 3.438,22 (Full TL)) 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 30 June 2015 and 31 December 2014:

| | 30 June 2015 | 31 December 2014 |
|---|---------------------|-------------------------|
| Discount rate | 3.50% | 2.36% |
| Expected rate of salary/limit increase | 7.00% | 5.10% |
| Turnover rate to estimate the probability of retirement | 96% | 96% |

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17 EMPLOYEE BENEFITS (Continued)

For the periods ended 30 June, movements in the reserve for employee severance payments are as follows:

| | 2015 | 2014 |
|-------------------------------|------------------|------------------|
| Opening - 1 January | 1,253,448 | 1,003,525 |
| Interest cost | 84,180 | 49,774 |
| Service cost | 144,709 | 109,407 |
| Payment during the period (-) | (165,562) | (174,290) |
| Actuarial gain (-) | (152,968) | - |
| Closing - 30 June | 1,163,807 | 988,416 |

Vacation pay liability

In accordance with current labour 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 30 June, movements in the vacation pay liability are as follows:

| | 2015 | 2014 |
|---|----------------|----------------|
| Balance at 1 January | 866,200 | 668,495 |
| (Cancellation)/addition of provision | (161,020) | 229,398 |
| Balance at the end of the period | 705,180 | 897,893 |

18 EQUITY

18.1 Paid-in capital

As at 30 June 2015 and 31 December 2014, the nominal value of the Company's authorised 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.

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18 EQUITY (Continued)

As at 30 June 2015 and 2013, the composition of the authorised and paid-in share capital was as follows:

| | 30 June 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 Sucuz | 10.20 | 10,000 | 3,050,000 | - | 3,060,000 | 10.20 | 3,060,000 |
| Credit Suisse Investments (Netherlands) 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 | 100.00 | 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.

18.2 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 6,490,779 at 30 June 2015 (31 December 2014: TL 5,070,545).

18.3 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.

18.4 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.

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19 EARNINGS PER SHARE

For the periods ended 30 June, 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:

| | 30 June 2015 | 30 June 2014 |
|---|---------------------|---------------------|
| Denominator: | | |
| Weighted average number of shares | 30,000,000 | 30,000,000 |
| Numerator: | | |
| Net profit for the period | 983,101 | 2,420,747 |
| Basic and diluted profit per share | 0.033 | 0.081 |

20 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.

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20 FINANCIAL INSTRUMENTS (Continued)

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 authorisation 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.

Credit risk

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

| | 30 June 2015 | 31 December 2014 |
|-------------------------------|---------------------|-------------------------|
| Factoring receivables | 752,737,251 | 792,594,702 |
| Other receivables | 17,059,384 | 17,032,213 |
| Cash and cash equivalents (*) | 193,644 | 182,280 |
| | 769,990,279 | 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 30 June 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.

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20 FINANCIAL INSTRUMENTS (Continued)

As at 30 June 2015 and 31 December 2014, the breakdown of factoring receivables, excluding unearned income and doubtful receivables, by industrial groups is as follows:

| | 30 June 2015 | (%) | 31 December 2014 | (%) |
|---------------------------|---------------------|------------|-------------------------|------------|
| Textile | 114,732,472 | 15 | 110,854,631 | 13 |
| Construction | 110,516,483 | 14 | 105,361,623 | 13 |
| Iron and steel | 109,525,715 | 14 | 94,168,619 | 11 |
| Automotive | 71,683,293 | 9 | 64,610,038 | 8 |
| Trading | 63,884,010 | 8 | 55,637,966 | 7 |
| Rubber and plastics | 37,913,426 | 5 | 27,318,500 | 3 |
| Food | 35,694,866 | 5 | 40,375,813 | 5 |
| Chemicals | 34,275,541 | 4 | 27,176,747 | 3 |
| Agricultural products | 31,103,916 | 4 | 30,292,935 | 4 |
| Electrics and electronics | 30,471,693 | 4 | 32,070,645 | 4 |
| Paper and printing | 30,276,396 | 4 | 62,409,863 | 8 |
| Wood products | 26,714,859 | 3 | 20,051,568 | 2 |
| Machinery | 17,271,467 | 2 | 49,060,672 | 6 |
| Leather products | 14,644,509 | 2 | 15,966,789 | 2 |
| Tourism | 3,200,483 | - | 3,642,465 | - |
| Others | 54,178,558 | 7 | 84,596,844 | 11 |
| Total | 786,087,687 | 100 | 823,595,718 | 100 |

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20 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.

| | 30 June 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) | 752,737,251 | 17,059,384 | 193,644 | 792,594,702 | 17,032,213 | 182,280 |
| A) Net carrying value of financial assets which are neither impaired nor overdue | 750,087,007 | 17,059,384 | 193,644 | 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 | 2,576,045 | - | - | 5,067,373 | - | - |
| 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 | 74,199 | - | - | 35 | - | - |
| - Overdue (gross book value) | 26,745,639 | - | - | 19,723,490 | - | - |
| - Impairment (-) | (26,671,440) | - | - | (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 | - | - | - | - | - | - |

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20 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:

| 30 June 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 | 697,030,355 | 758,532,878 | 455,181,685 | 179,106,094 | 124,245,099 | - |
| Loans and borrowings | 531,389,879 | 583,877,082 | 418,802,004 | 61,450,483 | 103,624,595 | - |
| Debt securities issued | 143,642,201 | 152,657,331 | 34,899,391 | 97,137,436 | 20,620,504 | - |
| Finance lease payables | 21,097,894 | 21,098,084 | 579,909 | 20,518,175 | - | - |
| Factoring payables | 900,381 | 900,381 | 900,381 | - | - | - |
| 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.

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20 FINANCIAL INSTRUMENTS (Continued)

The tables below summarize average effective interest rates by major currencies for monetary financial instruments as at 30 June 2015 and 31 December 2014:

| | 30 June 2015 | | | 31 December 2014 | | |
|---------------------------|--------------|----------|--------|------------------|----------|--------|
| | USD (%) | Euro (%) | TL (%) | USD (%) | Euro (%) | TL (%) |
| Assets | | | | | | |
| Factoring receivables | 10.15 | 13.85 | 18.46 | 14.34 | 15.56 | 19.20 |
| Liabilities | | | | | | |
| Loans and borrowings | 3.30 | 3.75 | 10.84 | 3.85 | 3.75 | 12.65 |
| Finance lease liabilities | - | - | 11.20 | - | - | 11.20 |
| Debt securities issued | - | - | 12.51 | - | - | 11.68 |

Interest rate profile

As at 30 June 2015 and 31 December 2014, the interest rate profiles of the interest-bearing financial instruments were as follows:

| Carrying amount | 30 June 2015 | 31 December 2014 |
|----------------------------------|---------------|------------------|
| Fixed rate instruments | | |
| Factoring receivables, net | 752,663,052 | 792,594,702 |
| Finance lease payables | (21,097,894) | (21,122,544) |
| Loans and borrowings | (236,411,867) | (272,735,840) |
| Debt securities issued | (62,805,005) | (43,300,730) |
| Variable rate instruments | | |
| Loans and borrowings | (294,978,012) | (286,433,905) |
| Debt securities issued | (80,837,196) | (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 30 June 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 |
| 30 June 2015 | | | | |
| Variable rate instruments | (344,313) | 344,313 | (344,313) | 344,313 |
| 31 December 2014 | | | | |
| Variable rate instruments | (720,365) | 720,365 | (720,365) | 720,365 |

^(*) Including profit or loss effects.

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20 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 30 June 2015 and 31 December 2014, the currency risk exposures are as follows (TL equivalents):

30 June 2015

| | USD | Euro | Total |
|---------------------------|------------------|--------------------|----------------|
| Cash and cash equivalents | 55,875 | - | 55,875 |
| Factoring receivables | 44,597,431 | 12,844,449 | 57,441,880 |
| Other assets | 256 | - | 256 |
| Loans and borrowings | (37,324,545) | (19,325,775) | (56,650,320) |
| Net exposure | 7,329,017 | (6,481,326) | 847,691 |

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 30 June 2015 and 2014:

| | Average rate | | Reporting date | |
|------|-----------------|---------------------|-----------------|---------------------|
| | 30 June 2015 | 31 December 2014 | 30 June 2015 | 31 December 2014 |
| USD | 2.5613 | 2.1863 | 2.6863 | 2.3189 |
| Euro | 2.8575 | 2.9046 | 2.9822 | 2.8207 |

Sensitivity analysis

A 10 percent depreciation of the TL against the following currencies at 30 June 2015 and 31 December 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.

| 30 June 2015 | Equity | Profit or loss |
|---------------------|---------------|-----------------------|
| USD | 732,902 | 732,902 |
| Euro | (648,133) | (648,133) |
| | 84,769 | 84,769 |

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20 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 30 June 2015 and 31 December 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 30 June 2015 and 2013, the carrying amounts and fair values of financial instruments are as follows:

| | 30 Haziran 2015 | | 31 Aralık 2014 | |
|-------------------------------------|------------------------|-------------------|------------------------|-------------------|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| <i>Financial assets</i> | | | | |
| Cash and cash equivalents | 55,875 | 55,875 | 201,134 | 201,134 |
| Factoring receivables | 752,663,052 | 752,663,052 | 792,594,667 | 792,594,667 |
| <i>Financial liabilities</i> | | | | |
| Loans | 531,389,879 | 531,408,182 | 559,169,745 | 561,117,048 |
| Finance lease payables | 21,097,894 | 21,097,894 | 21,112,544 | 21,112,544 |
| Debt securities issued | 143,642,201 | 143,641,860 | 144,551,346 | 146,135,805 |
| Factoring payables | 900,381 | 900,381 | 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.

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21 COMMITMENTS AND CONTINGENCIES

Commitments and contingent liabilities arising in the ordinary course of business comprised the following items as at 30 June 2015 and 31 December 2014:

| | 30 June 2015 | 31 December 2014 |
|-----------------------------|---------------------|-------------------------|
| Letters of guarantee | | |
| Given to banks | 111,300 | 169,300 |

22 RELATED PARTY DISCLOSURES

As at 30 June 2015 and 31 December 2014, related party balances are as follows:

| | 30 June 2015 | 31 December 2014 |
|--------------------------------|---------------------|-------------------------|
| Loans and borrowings | | |
| Credit Suisse AG London Branch | 146,431,662 | 171,908,351 |
| | 146,431,662 | 171,908,351 |

The following related party transactions are listed for the periods ended 30 June:

| | 30 June 2015 | 30 June 2014 |
|--------------------------------|---------------------|---------------------|
| Interest expense | | |
| Credit Suisse AG London Branch | 12,587,413 | 14,791,924 |
| | 12,587,413 | 14,791,924 |

For the purpose of these 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 30 June 2015 was amounting to TL 3,180,191 (30 June 2014: TL 3,070,981).

23 EVENTS AFTER THE REPORTING PERIOD

On 15 July 2015, the Company has issued a bill which has ISIN Code of “TRFLDFK71519” and nominal value of TL 20,000,000 to qualified investors. The maturity date of the related bill is 8 January 2016.