LİDER FAKTORİNG A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2016
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

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INDEPENDENT AUDITOR'S REPORT

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

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects the consolidated financial position of Lider Faktoring A.Ş. (the "Company") and its subsidiaries (collectively referred to as the "Group") as at 31 December 2016, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2016;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing ("ISA"). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report.

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

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), Communiqué "Independent Audit of Banks" published by Banking Regulation and Supervision Agency ("BRSA") in the Official Gazette No:29314 dated 2 April 2015, "Independence Audit by-Law" published by the Public Oversight Accounting and Auditing Standards Authority ("POA"), independent auditing requirements referred to in Article 400 of the Turkish Commercial Code ("TCC") and Communiqué Series: X No: 22 on "Principles Regarding Independent Auditing Standards in the Capital Markets" published by the Capital Market Board ("CMB") (collectively referred to as "Turkish Local Independence Rules"). We have fulfilled our other ethical responsibilities in accordance with these requirements IESBA Code and Turkish Local Independence Rules.

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Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of factoring receivables

Please see Note 10 in the consolidated financial statements.

We focused on this area due to the size of factoring receivables, high level of judgement applied by management in determining timing of recognition of impairment and the estimation of the size of any such impairment.

In particular we focused on:

- Identification of loss events, which requires judgement to determine whether a loss has been incurred;
- Judgements applied to calculate impairment provisions, such as the methodologies used for impairment calculated on a modeled basis, forecasts for future cash flows and valuation of collaterals;
- The principal assumptions underlying the calculation of impairment provisions for collectively assessed portfolios, the model used to make the calculations and adjustments made to the result of this model.

How our audit addressed the key audit matter

We assessed and tested the design and operating effectiveness of the controls over the monitoring, identification of which factoring receivables are impaired and the calculation of impairment provisions. We determined that we could rely on these controls for the purpose of our audit.

We understood management's basis for determining whether a factoring receivable is impaired and assessed the reasonableness using our understanding of the Group's lending portfolios and our industry knowledge. In this context, we tested a sample of performing factoring receivables to ascertain whether the loss event had occurred and whether the loss event had been identified in a timely manner.

Furthermore, we tested a sample of factoring receivables which had not been identified by management as potentially impaired and formed our own judgement as to whether that was appropriate including using external evidence in respect of the relevant counterparties. For customers that are currently experiencing debt servicing problems, we increased the size of our sample testing for cases individually assessed and included customers on the past due but not impaired list.

We tested individually impaired factoring receivables on a sample basis. Within the context of our detailed testing, we checked management's calculations by testing the forecasts of future cash flows prepared for impairment calculation, challenged the assumptions and compared estimates to external evidence where available.

For the collectively assessed provision, we performed detailed testing the model used to calculate provision for unidentified impairment. This testing was varied by portfolio, but included assessment of parameters and assumptions in the model, re-performance of calculation on a sample basis, testing the extraction of data used including the bucketing into delinquency bandings, where relevant.

Based on the evidence obtained we concluded that identification of impairment events, the principal assumptions used and the impairment provisions are reasonable.

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Responsibilities of management and those charged with governance for the consolidated financial statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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As part of an audit in accordance with ISA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Didem Demer Kaya, SMMM
Partner

Istanbul, 15 March 2017

LİDER FAKTORİNG A.Ş.

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2016

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LİDER FAKTORİNG A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

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

	Notes	31 December 2016	31 December 2015
ASSETS			
Cash and cash equivalents	8	8,434	655
Financial assets	9	-	57
Receivables	10	1,007,676	616,378
Property and equipment	11	33,026	27,512
Intangible assets	12	162	81
Deferred tax assets	7	6,118	5,291
Assets held for sale	14	372	57
Other assets and prepaid expenses	13	15,718	14,650
Total assets		**1,071,506**	**664,681**
LIABILITIES			
Funds borrowed	15	773,760	444,395
Debt securities issued	16	174,534	119,167
Payables	10	1,473	1,431
Current income taxes payable	7	1,982	1,535
Deferred tax liabilities	7	582	-
Other liabilities	18	2,799	3,302
Reserve for employment termination benefits	19	4,006	3,087
Total liabilities		**959,136**	**572,917**
EQUITY			
Share capital	20	35,874	35,874
Revaluation surplus, net of tax	20	28,835	23,337
Remeasurements of employment termination benefits, net of tax		(777)	(438)
Legal reserves	20	8,699	7,541
Retained earnings		33,681	25,450
Total equity attributable to equity holders of the Company		**106,312**	**91,764**
Non-controlling interests		6,058	-
Total equity		**112,370**	**91,764**
Total liabilities and equity		**1,071,506**	**664,681**

The notes on pages 5 to 46 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Notes	1 January - 31 December 2016	1 January - 31 December 2015
Interest income			
Interest income on factoring receivables		143,413	113,854
Interest income from banks and reverse repurchases		121	5
Total interest income		**143,534**	**113,859**
Interest expense			
Interest expense on funds borrowed (-)		(70,359)	(59,020)
Interest expense on debt securities issued (-)		(21,386)	(20,110)
Total interest expense		**(91,745)**	**(79,130)**
Net interest income		**51,789**	**34,729**
Fee and commission income on factoring transactions		8,215	11,238
Fee and commission expense on banking transactions (-)		(1,266)	(816)
Fee and commission income, net		**6,949**	**10,422**
Gross profit		**58,738**	**45,151**
Foreign exchange gains/(losses), net		425	(90)
Impairment of assets held for trading (-)		(8)	(6)
Impairment of goodwill	12	(104)	-
Other operating income		1,969	1,529
Operating income		**61,020**	**46,584**
Impairment loss on factoring receivables (-)	9	(4,969)	(11,317)
Personnel expenses (-)	6	(23,612)	(22,124)
Administrative expenses (-)	5	(5,525)	(5,091)
Depreciation and amortization (-)	10, 11	(245)	(272)
Profit before income tax		**26,669**	**7,780**
Income tax expense (-)	7	(5,301)	(1,407)
Net profit		**21,368**	**6,373**
Earnings per share			
Basic earnings per share (TL)	21	0.71	0.21
Diluted earnings per share (TL)	21	0.71	0.21
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss:			
Revaluation of property and equipment	11	5,535	2,860
Remeasurement of employee termination benefits	19	(424)	(788)
Deferred tax effect		48	157
Other comprehensive income		**5,159**	**2,229**
Total comprehensive income		**26,527**	**8,602**
Earnings per share			
Basic earnings per share (TL)		0.88	0.29
Diluted earnings per share (TL)		0.88	0.29

The notes on pages 5 to 46 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Attributable to equity holders of the Company							
	Share capital	**Inflationary effect on share capital**	**Revaluation funds, net of tax (*)**	**Actuarial gains, net of tax**	**Legal reserves**	**Retained earnings**	**Non-controlling interests**	**Total equity**
Balances at 1 January 2015	**30,000**	**5,874**	**20,477**	**193**	**5,071**	**45,526**	**-**	**107,141**
Transfer to legal reserves	-	-	-	-	2,470	(2,470)	-	-
Dividend paid	-	-	-	-	-	(23,979)	-	(23,979)
Total comprehensive income	-	-	2,860	(631)	-	6,373	-	8,602
Balances at 31 December 2015	**30,000**	**5,874**	**23,337**	**(438)**	**7,541**	**25,450**	**-**	**91,764**
Balances at 1 January 2016	**30,000**	**5,874**	**23,337**	**(438)**	**7,541**	**25,450**	**-**	**91,764**
Transfer to legal reserves	-	-	-	-	1,158	(1,158)	-	-
Dividend paid	-	-	-	-	-	(11,979)	-	(11,979)
Total comprehensive income	-	-	5,498	(339)	-	21,368	-	26,527
Minority shares	-	-	-	-	-	-	6,058	6,058
Balances at 31 December 2016	**30,000**	**5,874**	**28,835**	**(777)**	**8,699**	**33,681**	**6,058**	**112,370**

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2016

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

	Notes	31 December 2016	31 December 2015
Cash flows from operating activities:			
Net profit for the year		21,368	6,373
Components of net profit not generating or using cash			
Depreciation and amortization	11, 12	245	272
Provision for employee severance payments	19	775	606
Provision for / (release) unused vacation		6	(35)
Interest accrual	8	1	-
Net interest income		(51,789)	(34,729)
Income tax expense	7	5,301	1,407
Impairment of goodwill		104	
Provision for doubtful receivables	9	4,969	11,317
Changes in operating assets and liabilities			
Change in accounts receivables		(391,299)	164,900
Change in factoring payables		42	648
Change in other assets		(2,273)	2,483
Change in other liabilities		337,263	1,104
Interest received		143,534	113,859
Employee severance paid (-)	19	(410)	(391)
Income taxes paid (-)	7	(6,088)	(2,980)
Change in financial investments	4	57	(56)
Net cash provided from operating activities		**61,806**	**264,778**
Investing activities:			
Acquisition of the subsidiary	24	(3,220)	-
Purchase of property and equipment and intangible assets (-)	11, 12	(274)	(143)
Net cash used in investing activities (-)		**(3,494)**	**(143)**
Financing activities:			
Interest paid (-)		(91,745)	(79,130)
Net cash flow provided from loans and borrowings and debt securities		53,190	(161,072)
Dividends paid (-)		(11,979)	(23,979)
Net cash used in financing activities		**(50,534)**	**(264,181)**
Net increase in cash and cash equivalents		**7,778**	**454**
Cash and cash equivalents at 1 January	8	655	201
Cash and cash equivalents at 31 December	**8**	**8,433**	**655**

The notes on pages 5 to 46 are an integral part of these consolidated financial statements.

1 - GENERAL INFORMATION

Lider Faktoring A.Ş. was incorporated on 24 September 1992 in Turkey to provide factoring services to industrial and commercial firms under the name "Şetat Faktoring A.Ş.". The name of Şetat Faktoring A.Ş. was changed to Lider Faktoring Hizmetleri A.Ş. (the "Company") and the change was announced on the Trade Registry Gazette dated 22 July 2002 and numbered 5596. On 1 July 2013, with the Extraordinary General Assembly Meeting, legal name of the Company was changed from Lider Faktoring Hizmetleri A.Ş. to Lider Faktoring A.Ş.. The change of the legal name was 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 Istanbul Stock Exchange ("ISE") at 19 June 2014. As of 31 December 2016 the shares are traded in regular market.

The Company provides factoring services and follow-up, collect, finance these receivables within this framework.

The Company operates in accordance with "Finance Lease, Factoring and Financing Companies Law" published on the Official Gazette no. 28496 dated 13 December 2012 and "Regulation on Principles for Establishment and Operations of Finance Lease, Factoring and Financing Companies" of Banking Regulation and Supervision Agency ("BRSA").

The Company's head office is located at Büyükdere Street 100 Maya Akar Center Floor: 25 Esentepe - Istanbul.

The Company became a controlling shareholder by purchasing shares equal to a TL 4,998 nominal value, which constitutes 49.98% of the TL 10,000 nominal value shares of Destek Varlık Yönetim A.Ş. ("Destek Varlık") on 29 December 2016. Destek Varlık was established on 8 May 2013 and the decision regarding establishment was promulgated in Turkish Trade Registry Gazette No. 8319 on 14 May 2013. Destek Varlık, which got its official authorization within the framework of sub-paragraph (4) of Article 6 of the Regulation on Principles for the Establishment and Operations of Asset Management Companies and Article 143 of Banking Law No. 5411 and Banking Regulation and Supervision Agency's decision No. 5616 dated 5 December 2013, started operating on 11 December 2013.

In terms of consolidated financial statements, Lider Faktoring A.Ş. and its consolidated subsidiary, Destek Varlık, were jointly described as the "Group". The Group has 190 employees as at 31 December 2016 (31 December 2015: 179).

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

The consolidated financial statements for the year ended 31 December 2016 have been approved by the Board of Directors on 15 March 2017. General Assembly and other authorized regulatory bodies have the power to amend the consolidated financial statements.

2 - BASIS OF PREPARATION

(a) Basis of preparation

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

The consolidated financial statements are presented in thousands of the national currency of the Republic of Turkey, the TL.

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

(b) Basis of measurement

The consolidated 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 consolidated financial statements are presented in TL, which is the Group’s functional currency. All financial information presented in TL is rounded to the nearest digit.

(d) Use of estimates and judgments

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

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

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

2 - BASIS OF PREPARATION (Continued)

Assumptions and estimation uncertainties

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

- Note 7 - Taxation
- Note 9 - Financial assets and liabilities - Determination of fair values
- Note 10 - Impairment of factoring receivables and non-performing loan receivables
- Note 11 - Plant property and equipment
- Note 12 - Intangible assets - Goodwill and fair value considerations of acquisition
- Note 18 - Employee benefits
- Note 24 - Disclosures of interests in other entities - Consideration of control

(e) Comparative information and correction of prior period financial statements

Financial statements of the Group presented comparative with prior period to make performance trends judgements possible.

As explained Note 1, the Company became a controlling shareholder by purchasing 49.98% of Destek Varlık's shares on 29 December 2016 and started consolidating Destek Varlık. Therefore, the statement of financial position as at 31 December 2016 was presented as consolidated financial statement.

(f) 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.

(g) Segment reporting

Operation departments reporting has been arranged so that uniformity is ensured with the reporting to company's decision making body related to operations. The executive committee, which is responsible for making decisions related to resources assigned to the department authorized to make decisions about the company's operations and also responsible for evaluating the department's performance, is defined as the competent authority for making decisions related to company's operations.

The Group provides services in the factoring and asset management of non-performing loan portfolios field in Turkey as of 31 December 2016 (31 December 2015: Factoring services).

As of 31 December 2016, segment reporting is prepared based on factoring and asset management services (31 December 2015: None). The asset management services does not have any impact on operating results for the period ending 31 December 2016.

31 December 2016	**Factoring operations**	**Distressed debt management**	**Elimination**	**Total**
Operating segment assets	965,854	111,810	(6,158)	**1,071,506**
Operating segment liabilities	859,438	99,698	-	**959,136**

2 - BASIS OF PREPARATION (Continued)

(h) Changes in standards and interpretations

i) Standards, amendments and interpretations applicable as at 31 December 2016:

- IFRS 14 'Regulatory deferral accounts', effective from annual periods beginning on or after 1 January 2016. IFRS 14, 'Regulatory deferral accounts' 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.
- Annual improvements 2014, effective from 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 operations' regarding methods of disposal.
    - 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 IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. 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', regarding bearer plants, effective from 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. It has been decided that 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', on depreciation and amortisation, effective from annual periods beginning on or after 1 January 2016. In this amendment the it 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. It is 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.
- Amendments to IAS 27, 'Separate financial statements' on the equity method, effective from 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.
- Amendment to IFRS 10 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January 2016.These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.
- Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improvepresentation and disclosure in financial reports

2 - BASIS OF PREPARATION (Continued)

ii) Standards, amendments and interpretations effective after 1 January 2017:

- Amendments to IAS 7 'Statement of cash flows' on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.
- Amendments IAS 12 'Income Taxes', effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.
- Amendments to IFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.
- IFRS 9 'Financial instruments', effective from 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.
- IFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.
- Amendment to IFRS 15, 'Revenue from contracts with customers', effective from annual periods begining on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.
- IFRS 16 'Leases', effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2 - BASIS OF PREPARATION (Continued)

- Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:
  - give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and
  - give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard - IAS 39.
- Amendment to IAS 40, Investment property' relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.
- Annual improvements 2014–2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:
  - IFRS 1,' First-time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.
  - IFRS 12,'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
  - IAS 28,'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.
- IFRIC 22,' Foreign currency transactions and advance consideration', effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice

3 - SIGNIFICANT ACCOUNTING POLICIES

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

(a) Consolidation principles

Subsidiaries

The consolidated financial statements of the Company include its subsidiaries, which it controls directly or indirectly. This control is normally evidenced when the Company owns control power, either directly or indirectly, over company's share capital and is able to govern the financial and operating policies of an enterprise so as to benefit from its activities.

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

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

This control power is determined based on current and convertible voting rights. The financial statements of the subsidiaries are consolidated from the beginning of the control power over the subsidiaries to end of that power.

The table below shows the ratio of shares of subsidiaries of the Company as of 31 December 2016 and 2015:

				Book value	
Legal entity	**Service**			**31 December**	**31 December**
Non-listed in stock exchange:	**line**	**Location**	**Share (%)**	**2016**	**2015**
Destek Varlık Yönetim A.Ş. (*)	Asset Management	Istanbul	49.98	6,158	-
Total				**6,158**	**-**

(*) Destek Varlık's 4,998,000 shares worth TL 6,158 were transferred to the Company through sale on 29 December 2016. As per Board of Directors' Decision No. 28 dated 15 July 2016, 4,998,000 shares of Destek Varlık, which has a paid capital of 10,000 all of which belongs to Deniz Yatırım Menkul Değerler A.Ş., are bought from Deniz Yatırım Menkul Değerler A.Ş. at TL 0.001232 per share, totalling TL 6,158. The Company performed a share transfer after acquiring legal permits from BRSA and other authorized bodies and prepaid the transfer cost in cash.

Subsidiaries' balance sheet and comprehensive income statements are combined with consolidated statements of the Company and the carrying amount of the Group's investment in each subsidiary and the Group's portion of the cost value of the capital of each subsidiary are eliminated.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Transactions concerning non-controlling interests that don't end in losing control are recognized as equity. Shareholders perform these transactions with other shareholders. The difference between the net book value of the acquired assets of the subsidiary and the fair value of the paid amount to acquire these assets is recognized in the equity. Non-controlling interests and profit or loss as a result of sales are shown under equities.

(b) Foreign currency transactions

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

(c) Financial instruments

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

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Amortized cost measurement

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

(ii) Non-derivative financial assets - measurement

Cash and cash equivalents

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

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

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

Factoring receivables

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

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(iii) Non-derivative financial liabilities - measurement

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

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

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

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

Loans and borrowings, debt securities issued and finance lease payables

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

Other

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

(d) Share capital

Ordinary shares

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

(e) Property and equipment

(i) Recognition and measurement

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

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

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

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

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

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

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

(f) Intangible assets

(i) Goodwill

The portion of the acquisition amount on the acquisition date that exceeds the share of the acquired subsidiary/affiliate in the fair value of the Group's net identifiable assets is recognized as goodwill.

Goodwill is reviewed annually because of depreciation and carried in the consolidated balance sheet after accumulated impairment provisions are deducted from cost value. Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to their operating segment. The Group carries out impairment tests every 31 December. Impairments allocated for goodwill cannot be cancelled. Profit and losses incurred from the sales of an institution also include the book value of the goodwill on the enterprise sold.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(ii) Other intangible assets

Intangible assets represent computer software licenses and rights. Intangible assets acquired before 1 January 2006 are measured at cost restated for the effects of inflation in TL units current at 31 December 2005 pursuant to IAS 29, less accumulated amortization and impairment losses, if any. Intangible assets acquired after 1 January 2006 are measured at cost, less accumulated amortization and impairment losses, if any. Amortization is recognized in profit or loss on a straight-line basis over the estimated useful lives of intangible assets. The estimated useful lives for the current and comparative periods are between 3 and 5 years.

(g) Leases

(i) Determining whether an arrangement contains a lease

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

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

(ii) Leased assets

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

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

(iii) Lease payments

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

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

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Impairment

(i) Financial assets

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

Financial assets measured at amortized cost

The Group 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 recognized in profit or loss and reflected in an allowance account. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, then the previously recognized impairment loss is reversed through profit or loss.

Factoring receivables and allowances for doubtful receivables

A credit risk provision for impairment in factoring receivables is established if there is objective evidence that the Group 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 Group 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 Group granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider;
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of borrowers; or
  - national or local economic conditions that correlate with defaults on the assets in the group

The amount of the provision for impaired factoring receivables is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the interest rate at inception. For restructured receivables, the Group 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.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Non-performing loans and allowances

The Group recorded the portfolios it purchased and the purchase prices for paying single credits under receivables in its balance-sheet. Then, the Group tracked them after recognizing them based on debts.

Credits and receivables are recorded in the acquisition cost and transferred through amortized acquisition cost values using the effective interest method. Fees and other similar expenses paid related to assets acquired as the mentioned credits and receivables' collateral are not considered a part of transaction costs and instead are reflected on expense accounts.

Overdue receivables purchased from different established banks in Turkey and other financial institutions constitute the Group's other receivables that are tracked. Destek Varlık calculates the net present value of the non-performing receivables' expected collection projections and records them when risk, benefit, and control transfers arise for barren credits obtained, as per TAS 39. Positive differences between credit portfolios' calculated collection projections' net present value and recorded book values are recorded as income under "Other Operation Income - interests on other credits" item. Negative differences between the credit portfolios' calculated collection projections through the effective interest method and amortized net present value through the effective interest method are recorded as a provision.

When there is no risk or benefit transfer and when the Group does not have the right to sell or transfer freely, the relevant financial assets are reflected with the amortized cost price. The prices paid for these types of purchases are recorded in an assets account by deducting collections from the relevant portfolios until the account is settled.

Financial instruments are vulnerable when the estimated collectable amount calculated by deducting financial instruments' expected future cash flows using the effective interest (internal efficiency) rate method, or the amount recognized according to fair value is less than the book value - if any exists. The provision is put aside for value depreciation that results from vulnerable financial instruments. The provision put aside is related to expense accounts.

(ii) Non-financial assets

At each reporting date, the Group 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.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

(i) Employee benefits

(i) Reserve for employee severance payments

In accordance with the existing social legislation in Turkey, the Group is required to make certain lump-sum severance indemnity to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In the accompanying financial statements, the Group 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") 19 - Revised "Employee Benefits".

(ii) Short-term employee benefits

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

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

(j) Provisions

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

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Revenue and cost recognition

(i) Factoring interest and commission income

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

(ii) Factoring commission expense

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

(iii) Other income and expenses

Other income and expenses are recognized on the accrual basis.

(iv) Interest income other than on factoring transactions

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

(v) Interest expense on bank borrowings and debt securities

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

(m) Income tax

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

(i) Current tax

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

(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.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(n) Assets held for sale

A tangible asset (or a disposal Group of tangible assets) classified as "asset held for sale" is measured at lower of carrying value or fair value less costs to sell. An asset (or a disposal group of assets) is regarded as "asset held for sale" only when the sale is highly probable and the asset (disposal group) is available for immediate sale in the frame of the common conditions for sale of assets.

(o) 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 Group 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.

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

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

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

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

5 - ADMINISTRATIVE EXPENSES

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

	2016	**2015**
Rent expenses	1,582	1,526
Consultancy expenses	1,190	584
Office supplies expenses	409	505
Legal and court expenses	399	410
Communication expenses	380	255
Travelling expenses	281	355
Subscription expenses	278	250
Maintenance and repair expenses	206	138
Taxes and duties other than on income	112	143
Advertising expenses	7	13
Others	681	912
	5,525	**5,091**

6 - PERSONNEL EXPENSES

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

	2016	**2015**
Salary expenses	13,447	12,972
Board of directors salary expenses	6,901	6,049
Social security premium expenses	1,924	1,841
Employee termination indemnity	775	606
Meal expenses	564	656
	23,612	**22,124**

7 - TAXATION

In Turkey, corporate income tax is levied at the rate of 20% (31 December 2015: 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.

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

7 - TAXATION (Continued)

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.

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

	2016	2015
Current year tax expense		
Current year	(6,088)	(2,980)
	(6,088)	**(2,980)**
Current year deferred tax income		
Origination and reversal of temporary differences	787	1,573
	787	**1,573**
Income tax expense	**(5,301)**	**(1,407)**

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

	1 January - 31 December 2016	1 January - 31 December 2015
Profit before income taxes	26,669	7,780
Theoretical tax charge at the applicable tax rate 20%	(5,334)	(1,556)
Tax effect of items which are not deductible or assessable for taxation purposes (-)	(26)	(93)
Income exempt from taxation	59	243
Total tax expense for the period	**(5,301)**	**(1,407)**

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.

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

7 - TAXATION (Continued)

The current tax liabilities as at 31 December 2016 and 2015 comprised the following:

	31 December 2016	31 December 2015
Taxes on income	6,088	2,980
Less: Corporation taxes paid in advance	(4,106)	(1,445)
Current tax liabilities	**1,982**	**1,535**

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.

Deferred tax assets and deferred tax liabilities as at 31 December 2016 and 2015 were attributable to the items detailed in the table below:

	31 December 2016	31 December 2015
Deferred tax asset	6,118	5,291
Deferred tax liability (-)	582	-

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
Provision for impaired factoring receivables	25,979	22,029	5,196	4,406
Deferred commission income	1,131	1,677	226	335
Reserve for employment termination benefits	4,038	3,087	807	617
Deferred provision income	275	187	55	37
Temporary differences on borrowings and issued marketable securities	252	59	50	12
Other	63	-	13	-
Deferred tax asset	**31,738**	**27,039**	**6,347**	**5,407**
Valuation difference between carrying values and tax base of property and equipment (*)	(2,694)	(1,885)	(136)	(94)
Effects of useful life differences of property and equipment, and intangible assets	(94)	(110)	(19)	(22)
Temporary differences on borrowings and issued marketable securities	(3,281)	-	(656)	-
Deferred tax liability (-)	**(6,069)**	**(1,995)**	**(811)**	**(116)**
Net-off			**(229)**	**-**
Deferred tax asset			**6,118**	**5,291**
Deferred tax liability			**582**	**-**

(*) 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 Group estimates that, it will comply with these requirements and has calculated the deferred tax liability with the 5% effective taxation rate.

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

7 - TAXATION (Continued)

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

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.

8 - CASH AND CASH EQUIVALENTS

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

	31 December 2016	**31 December 2015**
Cash at banks	8,423	637
- *Demand deposits*	*984*	*637*
- *Time deposits*	*7,439*	-
Cash on hand	11	18
	8,434	**655**

As at 31 December 2016 the Group has time deposit (less than 1 month) with the interest rates between 7.50% - 8.25% (31 December 2015: None). Interest accrual on time deposits is amounting to TL 1. Cash and cash equivalents of the Group are shown in cash flow statements by deducting interest accruals.

As at 31 December 2016 and 2015, there are no blockage on cash and cash equivalents.

9 - FINANCIAL ASSETS

Financial assets held for trading;

	31 December 2016	**31 December 2015**
Marketable securities	-	57
- *Share certificates (*)*	-	*57*
	-	**57**

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

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

10 - RECEIVABLES AND PAYABLES

Receivables

	31 December 2016	31 December 2015
Factoring receivables	900,234	616,378
Receivables from purchased non-performing loan portfolio	107,442	-
Total receivables	**1,007,676**	**616,378**

(i) Factoring receivables

As at 31 December 2016 and 2015, factoring receivables comprised the following:

	31 December 2016	31 December 2015
Domestic factoring receivables	944,600	643,950
Abroad factoring receivables	976	-
Doubtful receivables	34,265	31,946
Factoring receivables, gross	**979,841**	**675,896**
Unearned income on factoring transactions (-)	(45,728)	(29,567)
Provision for impairment in doubtful receivables (-)	(33,879)	(29,951)
Factoring receivables, net	**900,234**	**616,378**

As at 31 December 2016 and 2015, maturity of factoring receivables excluding unearned income and doubtful receivables are as follows:

	31 December 2016	31 December 2015
Up to 1 month	290,638	127,953
1 month to 3 months	292,246	219,783
3 months to 1 year	342,418	288,295
1 year and over	20,274	7,919
	945,576	**643,950**

The Group has obtained the following collaterals for its receivables as at 31 December 2016 and 2015:

	31 December 2016	31 December 2015
Customer notes and cheques obtained as collateral	1,005,434	668,914

As at 31 December 2016, carrying value of the Group's restructured factoring receivables is amounting to TL 774 (31 December 2015: TL 1,466).

As at 31 December 2016 and 2015, maturity profile of the doubtful factoring receivables and the specific allowance for them are as follows:

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

10 - RECEIVABLES AND PAYABLES (Continued)

	31 December 2016		31 December 2015	
	Doubtful receivables	**Specific allowance**	**Doubtful receivables**	**Specific allowance**
Past due 0-3 months	2,990	2,990	4,775	2,780
Past due 3-6 months	3,639	3,639	2,754	2,754
Past due 6-12 months	6,984	6,984	6,108	6,108
Past due over 1 year	20,652	20,266	18,309	18,309
Total	**34,265**	**33,879**	**31,946**	**29,951**

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

	31 December 2016	31 December 2015
Balance at 1 January	**29,951**	**19,723**
Allowance for the year	4,969	11,317
Recoveries of amounts previously provided for	(848)	(1,089)
Written-off during the year (*)	(193)	-
Balance at year end	**33,879**	**29,951**

(*) These amounts are written-off by getting proof of insolvency.

(ii) Non-performing loans

As at 31 December 2016 and 2015, non-performing loans ("NPL") of the Group comprised the following:

	31 December 2016	31 December 2015
Net NPL (*)	107,442	-
NPL within the scope of asset management	*107,541*	-
NPL provisions within the scope of asset management	*(99)*	-
	107,442	**-**

(*) As explained in Note 3(a), Destek Varlık's NPL portfolios, included into the Group's receivables, are allocated to the financial statements with expected proceed estimates' effective interest method and discounted values. The Group makes provisions for discounted amounts of future expected cash flows related to the following loans. As of 31 December, the Group has the TL 107,541 receivable for non-performing loans and a TL 99 receivable for allowances, net TL 107,442.

The assumption data used to calculate the effective interest rate method valuation allocated to the balance are as follows:

Valuation method: The Group calculates the current net value of its overdue receivables with the effective interest rate calculated and recorded at collection projections of the purchase date. Positive differences between the credit portfolios' calculated collection projections' net present value and recorded book values are recorded as income. An allowance is saved for the negative differences between the current net value of calculated collection projections of loan portfolios calculated with effective interest method and the registered book values.

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

10 - RECEIVABLES AND PAYABLES (Continued)

Portfolio group	Purchasing year	FX Type	Purchasing amount	31 December 2016 Carrying amount (TL)
2014 Portfolio	2014	TL	48,350	35,584
2015 Portfolio	2015	TL	33,920	28,664
2015 Portfolio	2015	Euro	2,850	-
2016 Portfolio	2016	TL	43,000	43,194
				107,442

Projection of estimated collection: The Group made specific projections of estimated collections and planned the collections for further years after purchasing loan portfolios by taking into consideration of their experiences, contents of portfolios and market conditions. Other issues due to condition of the market participants are also included in projections.

Movement of allowances for non-performing loans are presented below:

	2016	2015
Opening amount (1 January)	-	-
Transactions with subsidiary	99	-
Closing amount (31 December)	**99**	**-**

Payables

Factoring payables

As at 31 December 2016, factoring payables amounting to TL 1,473 represent the amounts collected on behalf of but not yet paid to the factoring customers at the statement of financial position date (31 December 2015: TL 1,431).

11 - PROPERTY AND EQUIPMENT

Movements of property and equipment for 31 December 2016 and 31 December 2015 are as follows:

	Buildings	Furniture and fixtures	Leasehold improvements	Total
Cost				
Balance at 1 January 2015	24,250	1,510	261	26,021
Additions	-	70	26	96
Revaluation	2,860	-	-	2,860
Balance at 31 December 2015	**27,110**	**1,580**	**287**	**28,977**
Balance at 1 January 2016	27,110	1,580	286	28,976
Additions	-	131	7	138
Revaluation	5,535	-	-	5,535
Transactions with subsidiary	-	21	-	21
Balance at 31 December 2016	**32,645**	**1,732**	**293**	**34,670**

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

11 - PROPERTY AND EQUIPMENT (Continued)

	Buildings	Furniture and fixtures	Leasehold improvements	Total
Accumulated Depreciation				
Balance at 1 January 2015	-	(1,086)	(175)	(1,261)
Depreciation for the year	-	(164)	(40)	(204)
Balance at 31 December 2015	**-**	**(1,250)**	**(215)**	**(1,465)**
Balance at 1 January 2016	-	(1,250)	(215)	(1,465)
Depreciation for the year	-	(144)	(31)	(175)
Transactions with subsidiary	-	(4)	-	(4)
Balance at 31 December 2016	**-**	**(1,398)**	**(246)**	**(1,644)**
Net book value				
31 December 2015	**27,110**	**330**	**71**	**27,512**
31 December 2016	**32,645**	**334**	**47**	**33,026**

The Group engaged Adres Gayrimenkul Değerleme ve Danışmanlık A.Ş., a Capital Market Board ("CMB") accredited independent value, to determine the fair value of its buildings. Fair value is determined by reference to market based data. This means that valuations performed by the valuer are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The valuations were done in December 2016 and January 2017.

As at 31 December 2016, total amount of insurance coverage on property and equipment is TL 10,140 (31 December 2015: TL 6,915).

As at 31 December 2016, the net carrying amount of finance leased building is TL 27,780 (31 December 2015: TL 23,000). The Group transfer its head office building temporarily on 13 December 2016 with sale and lease back agreement and leased back at the same day from İş Finansal Kiralama A.Ş.. Terms of the leasing agreement is one year. After one year, ownership of the property will pass to the Group. (31 December 2015: The Company transfer its head office building temporarily on 14 December 2015 with sale and lease back agreement and leased back on 25 December 2015 from İş Finansal Kiralama A.Ş.. Terms of the leasing agreement is one year. After one year, ownership of the property will pass to the Company.)

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

12 - INTANGIBLE ASSETS

i) Goodwill

Information concerning acquired net assets with the Group and calculating goodwill are as follows:

	2016
Acquisition cost	6,158
Contingent considerations	-
Net acquisition cost	**6,158**

The acquisition cost does not include costs other than the payments stated above. The fair values of assets and liabilities on their acquisition date are as follows (Note 24):

	2016
Cash and cash equivalents	2,938
Doubtful loans and receivables	107,442
Other liabilities	1,151
Property, plant&equipment and intangible assets	31
Assets held for sale	248
Borrowings	(98,321)
Tax liability	(787)
Other liabilities	(590)
Net assets acquired	**12,112**
Net assets acquired by parent	**6,054**
Goodwill (*)	104
Net acquisition cost	**6,158**
Acquired cash and cash equivalents	2,938
Net cash flows	**3,220**

(*) Within the prudence framework, the Group booked goodwill impairment expense amounting to TL 104 in consolidated statement of comprehensive income.

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

12 - INTANGIBLE ASSETS (Continued)

ii) Other intangible assets

Movements of intangible assets for 31 December 2016 and 2015 are as follows:

	Softwares
Cost	
Balance at 1 January 2015	610
Additions	47
Balance at 31 December 2015	**657**
Balance at 1 January 2016	657
Additions	136
Transactions with subsidiary	23
Balance at 31 December 2016	**816**
Accumulated amortization	
Balance at 1 January 2015	(507)
Amortization for the year	(69)
Balance at 31 December 2015	**(576)**
Balance at 1 January 2016	(576)
Amortization for the year	(70)
Transactions with subsidiary	(8)
Balance at 31 December 2016	**(654)**
Net book value	
At 1 January 2016	81
At 31 December 2016	162

As at 31 December 2016 and 2015, the Group does not have any intangible assets generated within the Group.

13 - OTHER ASSETS AND PREPAID EXPENSES

As at 31 December 2016 and 2015, other assets and prepaid expenses comprised the following:

	31 December 2016	31 December 2015
Advances given (*)	13,574	12,587
Receivables from Tax Authority (**)	1,258	1,258
Receivables from legal cases	533	455
Prepaid expenses	305	305
Other	48	45
	15,718	**14,650**

13 - OTHER ASSETS AND PREPAID EXPENSES (Continued)

(*) Amounting to TL 12,250 of these advances were given to a construction firm for the construction of the building that the Company plans to move its headquarters in the future. Related amount is the fixed asset nature and will be recorded as property, plant and equipment at the completion date after the finalizing related procedures in the financial statements.

(**) 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, requested the repayment of TL 2,455. The tax authority has repaid the amount in 2013. The lawsuit filed against the said tax/penalty notice is refused at Istanbul 8th Tax Office with the 26 November 2013 File No.2013/2983 K.

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 and on 22 May 2014 amounting to TL 1,258 including the overdue. Payment orders which were dated 12 February 2014 and numbered 20140212665080000001 amounting to TL 1,719 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 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 were sued in Istanbul 5 of the Tax Court with file numbered 2014/604.

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

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

The Company, has made a repayment request to the Tax Authority regarding to its total paid tax penalty with a total of TL 2,803 as mentioned in detail above. The repayment request is accepted by the Tax Authority and payment was done in 12 November 2015. Upon the collection the Company has deducted the payment from the other receivables from Tax Authority. The company won the lawsuit it filed at the Istanbul 14th Tax Court, requesting the payment of the overdue interest calculated amounting to TL 785 for the period between the tax administration office's collection date and the payment date, including the default interest to apply from 12 November 2015, upon the tax administration office's return of the amounts collected (TL 2,803) on 12 November 2015, through the payment order numbers 2014011266508/1 and 2, for which the details have been provided above and which have been cancelled by the related court as of 25 May 2016 and accounted the amount of TL 785 accounted under the "Other Receivables" and "Other operating income" (31 December 2015: None).

As at 30 June 2016 the Company recognized the payment amounting to TL 1,258 (31 December 2015: 1,258 TL) and interest for late payment TL 785 (31 December 2015: None.) as mentioned above under "Other Receivables" since the chance of winning the suitcases is virtually certain according to the above precedent decision.

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

14 - ASSETS HELD FOR SALE

As at 31 December 2016 and 2015, assets held for sale comprised the following:

	31 December 2016	31 December 2015
Assets held for sale	372	57
	372	**57**

Movements of assets held for sale for the periods ended 31 December 2016 and 31 December 2015 were as follows:

	1 January 2016	Addition	Disposal	31 December 2016
Real estate properties	57	67	-	124
Transactions with subsidiary	-	248	-	248
Net book value	**57**	**315**	**-**	**372**

	1 January 2015	Addition	Disposal	31 December 2015
Real estate properties	-	57	-	57
Net book value	**-**	**57**	**-**	**57**

15 - LOANS AND BORROWINGS

Loans

As at 31 December 2016 and 2015, loans comprised the following:

31 December 2016

	Original amount	Nominal interest rate (%)	Up to 1 year	1 year and over	Total loans and borrowings
Bank Loans-TL	782,501	10.10-14.50	727,967	54,534	782,501
Bank Loans-USD	6,149	3.50-4.35	21,640	-	21,640
Bank Loans-Euro	592	3.25-4.05	2,197	-	2,197
Total			**751,804**	**54,534**	**806,338**

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

15 - LOANS AND BORROWINGS (Continued)

31 December 2015

	Original amount	Nominal interest rate (%)	Up to 1 year	1 year and over	Total loans and borrowings
Bank Loans-TL	366,314	9.86-16.92	312,821	53,493	366,314
Bank Loans-USD	8,373	3.75-4.00	24,347	-	24,347
Bank Loans-Euro	9,990	3.25-3.75	31,744	-	31,744
Total			**368,912**	**53,493**	**422,405**

Other short term borrowings

As at 31 December 2016 and 2015, other borrowings comprised the following:

	31 December 2016	31 December 2015
Future minimum lease payments	24,631	24,945
Interest payment of lease (-)	(2,675)	(2,955)
	21,956	**21,990**

The Group sold its head office building on 13 December 2016 with sell and lease back agreement and leased back the head office building on the same day from a leasing company. Terms of the leasing agreement is one year. After one year, ownership of the property will pass to the Group.

16 - DEBT SECURITIES ISSUED

As at 31 December 2016 and 2015, debt securities issued comprised the following:

	31 December 2016	31 December 2015
Bonds issued	174,534	40,120
Bills issued	-	79,047
	174,534	**119,167**

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

ISIN CODE	Issue date	Issued nominal amount (TL)	Maturity date	Sales type	Coupon period payment
Bonds issued					
TRFLDFK61718	29 June 2016	13,000	28 June 2017	Qualified invester	Quarterly
TRFLDFK11713	1 July 2016	20,000	3 January 2017	Qualified invester	Payment at maturity
TRFLDFK11721	5 August 2016	15,000	27 January 2017	Qualified invester	Payment at maturity
TRFLDFK31711	20 September 2016	30,000	17 March 2017	Qualified invester	Payment at maturity
TRFLDFK31729	28 September 2016	15,000	24 March 2017	Qualified invester	Payment at maturity
TRFLDFK41710	14 October 2016	30,000	7 April 2017	Qualified invester	Payment at maturity
TRFLDFK51719	11 November 2016	25,000	12 May 2017	Qualified invester	Payment at maturity
TRFLDFK51727	25 November 2016	32,000	18 May 2017	Qualified invester	Payment at maturity

The bonds issued by the Group 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").

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

17 - OTHER LIABILITIES

As at 31 December 2016 and 2015, other liabilities comprised the following:

	31 December 2016	31 December 2015
Taxes and duties other than on income	2,206	2,928
Payables to suppliers	492	324
Other payables	101	50
	2,799	**3,302**

18 - EMPLOYEE BENEFITS

As at 31 December 2016 and 2015, employee benefits comprised the following:

	31 December 2016	31 December 2015
Employee termination benefits provision	3,128	2,257
Unused vacation provision	878	830
	4,006	**3,087**

Employee termination benefits payments

In accordance with existing social legislation in Turkey, the Group 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 full TL 4,426.16 at 1 January 2017 (1 January 2016: full TL 4,092.53) 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 Group arising from the retirement of the employees. Accordingly, the following statistical assumptions were used in the calculation of the following liability as at 31 December 2016 and 2015:

	31 December 2016	31 December 2015
Discount rate (%)	4.67	4.67
Expected rate of salary/limit increase (%)	7.00	7.00
Turnover rate to estimate the probability of retirement (%)	96	96

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

18 - EMPLOYEE BENEFITS (Continued)

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

	2016	**2015**
Opening - 1 January	2,256	1,253
Interest cost	365	271
Service cost	410	335
Payments	(410)	(391)
Actuarial losses	424	788
Transactions with subsidiary	83	-
Closing - 31 December	**3,128**	**2,256**

Unused vacation provision

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

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

	2016	**2015**
Opening 1 January	831	866
Increase/(reversal) of provision	6	(35)
Transactions with subsidiary	41	-
Closing - 31 December	**878**	**831**

19 - EQUITY

19.1 Paid-in capital

As at 31 December 2016 and 2015, the nominal value of the Company's authorized and paid-in share capital amounts to TL 30,000 comprising 30,000 registered shares of par value of 0.001 TL. Adjustment to share capital represents the restatement effect of the contributions to share capital equivalent to purchasing power of TL at 31 December 2005.

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

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

19 - EQUITY (Continued)

As at 31 December 2016 and 2015, the composition of the authorized and paid-in share capital as full TL was as follows:

	31 December 2016					31 December 2015	
	Share (%)	Group A	Group B	Group C	Total	Share (%)	Total
Nedim Menda	34.850	10,000	10,445,000	-	10,455,000	34.850	10,455,000
Raşel Elenkave	11.338	15,000	3,386,250	-	3,401,250	5.100	1,530,000
Jak Sucaz	10.200	10,000	3,050,000	-	3,060,000	10.200	3,060,000
Credit Suisse Investments (Nederland) B.V.	9.900	-	-	2,970,000	2,970,000	9.900	2,970,000
Judit Menda	6.238	5,000	1,866,250	-	1,871,250	-	-
Lizet Sucaz	6.238	5,000	1,866,250	-	1,871,250	-	-
Refka B. Adato	6.238	5,000	1,866,250	-	1,871,250	-	-
Yuda Elenkave	-	-	-	-	-	24.950	7,485,000
Publicly Traded	15.000	-	4,500,000	-	4,500,000	15.000	4,500,000
Nominal share capital	**100.000**	**50,000**	**26,980,000**	**2,970,000**	**30,000,000**	**100.000**	**30,000,000**
Adjustment to share capital					5,873,808		
Total paid-in share capital					**35,873,808**		

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

19.2 Legal reserves

The legal reserves are established by annual appropriations amounting to 5% of income disclosed in the Company's statutory accounts until it reaches 20% of paid-in share capital (first legal reserve). Without limit, a further 10% of dividend distributions in excess of 5% of paid-in capital are to be appropriated to increase legal reserves (second legal reserve). The first legal reserve is restricted and is not available for distribution as dividend unless it exceeds 50% of share capital. In the accompanying financial statements, the total of legal reserves is TL 8,699 at 31 December 2016 (31 December 2015: TL 7,541).

19.3 Revaluation surplus

The asset revaluation reserve is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognized in equity. As of 31 December 2016 revaluation surplus amount is TL 28,835 (31 December 2015: TL 23,337).

19.4 Actuarial differences

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

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

20 - EARNINGS PER SHARE

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

	31 December 2016	31 December 2015
Weighted average number of shares	30,000	30,000
Profit for the year	21,368	6,373
Basic and diluted profit per share	**0.71**	**0.21**

21 - FINANCIAL INSTRUMENTS

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

The Group’s risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group’s activities. The Group, 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 Group is subject to credit risk through its factoring operations. The Group 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 Group 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 Group based on their authorization limits. The Credit Monitoring and Credit Department of the Group meets every week regularly and performs credit evaluations. The Group has early warning controls with respect to the monitoring of on-going credit risks and the Group regularly performs scoring of the creditworthiness of the customers. A special software program is used to monitor the credit risk of the Group.

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

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

21 - FINANCIAL INSTRUMENTS (Continued)

Credit risk

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

	31 December 2016	31 December 2015
Receivables	1,007,676	616,378
Other receivables	15,718	14,650
Cash and cash equivalents (*)	8,423	637
	1,031,817	**631,665**

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

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

As at 31 December 2016 and 2015, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

As at 31 December 2016 and 2015, the breakdown of factoring receivables, excluding unearned income and doubtful receivables, by industrial groups is as follows:

	31 December 2016	(%)	31 December 2015	(%)
Construction	138,929	15	96,864	15
Iron and steel	104,603	11	92,768	14
Textile	137,310	15	91,283	14
Trading	105,680	11	68,310	11
Automotive	75,460	8	60,497	9
Food	71,063	8	43,281	7
Machinery	44,948	5	35,887	6
Paper and printing	47,078	5	33,281	5
Rubber and plastics	50,788	5	31,630	5
Agricultural products	28,470	3	21,398	3
Wood products	35,482	4	19,484	3
Chemicals	29,131	3	13,883	2
Electrics and electronics	30,151	3	13,739	2
Leather products	7,591	1	2,712	-
Tourism	3,711	-	1,369	-
Others	35,181	3	17,564	4
Total	**945,576**	**100**	**643,950**	**100**

The group has shown sectoral distribution of factoring receivables due to ultimate debtor.

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

21 FINANCIAL INSTRUMENTS (Continued)

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

	31 December 2016			31 December 2015		
	Receivables	**Other receivables**	**Cash and cash equivalents**	**Receivables**	**Other receivables**	**Cash and cash equivalents**
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	**1,007,676**	**15,718**	**8,434**	**616,378**	**14,650**	**655**
A) Net carrying value of financial assets which are neither impaired nor overdue	899,074	15,718	8,434	612,917	14,650	655
B) Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	774	-	-	1,466	-	-
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	107,828	-	-	1,995	-	-
- Overdue (gross book value)	141,806	-	-	31,946	-	-
- Impairment (-)	(33,978)	-	-	(29,951)	-	-
- Covered portion of net book value (with letter of guarantee etc)	-	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc)	-	-	-	-	-	-
E) Off balance sheet items with credit risks	-	-	-	-	-	-

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

21 - FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

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

The Group'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 Group's reputation.

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

31 December 2016	Carrying amount	Contractual cash flows	3 months or less	3 to 12 months	1 to 5 years	Over 5 years
Non-derivative financial liabilities	**949,767**	**984,764**	**565,822**	**345,643**	**73,299**	**-**
Loans and borrowings	773,760	802,855	484,349	245,207	73,299	-
Debt securities issued	174,534	180,436	80,000	100,436	-	-
Factoring payables	1,473	1,473	1,473	-	-	-

31 December 2015	Carrying amount	Contractual cash flows	3 months or less	3 to 12 months	1 to 5 years	Over 5 years
Non-derivative financial liabilities	**564,993**	**597,136**	**226,569**	**300,697**	**69,870**	**-**
Loans and borrowings	444,395	470,030	164,409	235,751	69,870	-
Debt securities issued	119,167	125,675	60,729	64,946	-	-
Factoring payables	1,431	1,431	1,431	-	-	-

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while 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 Group'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 Group 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 optimizing net interest income, given market interest rate levels consistent with the Group's business strategies.

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

21 - FINANCIAL INSTRUMENTS (Continued)

The tables below summarize average effective interest rates by major currencies for monetary financial instruments as at 31 December 2016 and 31 December 2015:

	31 December 2016			31 December 2015		
	USD (%)	Euro (%)	TL (%)	USD (%)	Euro (%)	TL (%)
Assets						
Factoring receivables	10.61	13.03	18.45	20.25	19.31	22.93
NPL	-	-	24.64	-	-	-
Liabilities						
Loans and borrowings	3.59	3.56	13.42	3.50	3.70	14.33
Debt securities issued	-	-	13.44	-	-	13.37

Interest rate profile

As at 31 December 2016 and 31 December 2015, the interest rate profiles of the interest-bearing financial instruments were as follows:

Carrying amount	31 December 2016	31 December 2015
Fixed rate instruments		
Cash and cash equivalents	7,439	-
Receivables, net	1,007,676	616,378
Loans and borrowings	(557,394)	(216,839)
Debt securities issued	(161,534)	(79,047)
Variable rate instruments		
Loans and borrowings	(216,366)	(227,556)
Debt securities issued	(13,000)	(40,120)

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Group 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 Group does not account for any fixed rate financial assets and liabilities as available-for-sale. Therefore a change in interest rates at the reporting date would not directly affect equity.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates as at 31 December 2016 and 31 December 2015 would have increased or decreased profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2016				
Variable rate instruments	(143)	143	(143)	143
31 December 2015				
Variable rate instruments	(433)	433	(433)	433

(*) Including profit or loss effects.

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

21 - FINANCIAL INSTRUMENTS (Continued)

Foreign currency risk

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

As at 31 December 2016 and 2015, the currency risk exposures are as follows (TL equivalents):

31 December 2016	**USD**	**Euro**	**Total**
Cash and cash equivalents	21	-	21
Factoring receivables	24,525	1,951	26,476
Loans and borrowings	(21,631)	(2,206)	(23,837)
Other receivables	665	-	665
Other liabilities	(19)	-	(19)
Net exposure	**3,561**	**(255)**	**3,306**

31 December 2015	**USD**	**Euro**	**Total**
Cash and cash equivalents	-	-	-
Factoring receivables	25,597	31,744	57,341
Loans and borrowings	(24,347)	(31,744)	(56,091)
Other liabilities	(7)	-	(7)
Net exposure	**1,243**	-	**1,243**

The following significant exchange rates applied during the years ended 31 December 2016 and 2015:

	Average rate		**Reporting date**	
	31 December 2016	**31 December 2015**	**31 December 2016**	**31 December 2015**
USD	3.0174	2.7188	3.1776	2.9076
Euro	3.3372	3.0181	3.7099	3.1776

Sensitivity analysis

A 10 percent depreciation of the TL against the following currencies at 31 December 2016 and 2014 would have increased equity and profit or loss by the amounts shown below.

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

31 December 2016	**Equity**	**Profit or loss**
USD	357	357
Euro	(25)	(25)
	332	**332**

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

21 - FINANCIAL INSTRUMENTS (Continued)

31 December 2015	**Equity**	**Profit or loss**
USD	124	124
Euro	-	-
	124	**124**

A 10 percent strengthening in the TL against the foreign currencies as at 31 December 2016 and 2015 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 Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to meet local regulatory requirements.

Fair Value

As at 31 December 2016 and 2015, the carrying amounts and fair values of financial instruments are as follows:

	31 December 2016		**31 December 2015**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Cash and cash equivalents	8,434	8,434	655	655
Accounts receivables	1,007,676	1,007,676	616,378	616,378
Other receivables	15,718	15,718	14,650	14,650
Financial liabilities				
Borrowings	773,760	776,484	444,395	470,031
Debt securities issued	174,534	174,530	119,167	125,676
Factoring payables	1,473	1,473	1,431	1,431

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 categorized as Level 2 fair values based on observable market base data.

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

21 - FINANCIAL INSTRUMENTS (Continued)

Regional

Assets	**31 December 2016**	**31 December 2015**
Turkey	1,070,530	664,681
Other	976	-
Total assets	**1,071,506**	**664,681**

Liabilities	**31 December 2016**	**31 December 2015**
Turkey	1,008,045	543,073
Europe	63,461	121,608
Total liabilities	**1,071,506**	**664,681**

22 - COMMITMENTS AND CONTINGENCIES

Commitments and contingent liabilities arising in the ordinary course of business comprised the following items as at 31 December 2016 and 2015:

	31 December 2016	**31 December 2015**
Collaterals received		
Personal guarantees	4,647,282	3,635,425
Cheques and notes received as collateral	1,499,172	472,108
	6,146,454	**4,107,533**
Letters of guarantee		
Given to banks	110,799	20,291
	110,799	**20,291**

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

	31 December 2016	**31 December 2015**
Customer cheques	950,534	618,924
Customer notes	54,900	49,989
	1,005,434	**668,913**

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

23 - RELATED PARTY DISCLOSURES

As at 31 December 2016 and 2015, related party balances are as follows:

	31 December 2016	31 December 2015
Borrowings		
Credit Suisse AG London Branch	63,461	121,608
	63,461	**121,608**

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

	31 December 2016	31 December 2015
Interest expense		
Credit Suisse AG London Branch	15,315	24,429
	15,315	**24,429**

Benefits paid to management

For the purpose of accompanying financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and investments are considered and referred to as the related parties. Total benefit of key management for the year ended 31 December 2016 was amounting to TL 6,901 (1 January - 31 December 2015: TL 6,029).

24 - DISCLOSURES OF INTERESTS IN OTHER ENTITIES

Destek Varlık, the subsidiary of the Company, makes up a non-controlling interest amount (31 December 2015: None).

31 December 2016	Non-controlling share rate(*)	Non-controlling shares profit/(loss) (*)	Cumulative non-controlling shares	Capital overdue by non-controlling shares	Dividend paid to non-controlling shares
Destek Varlık	50.02%	-	6,158	-	-
		-	**6,158**	**-**	**-**

(*) There is no non-controlling interest profit/(loss) amount, since Destek Varlık was acquired on 29 December 2016.

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

24 - DISCLOSURES OF INTERESTS IN OTHER ENTITIES (Continued)

Balance sheet summary information of Destek Varlık, the subsidiary of the Company acquired at 29 December 2016, is presented below (Note 12):

Destek Varlık Yönetim A.Ş. condensed balance sheet summary information:	**31 December 2016**
Current assets	111,779
Non-current assets	31
Total assets	**111,810**
Financial liabilities	98,321
Other liabilities	1,377
Total liabilities	**99,698**
Paid capital	10,000
Retained earnings	1,015
Net profit for the period	1,097
Net assets	**12,112**

Information above represented the amounts before the inter-company eliminations.

25 - EVENTS AFTER THE REPORTING PERIOD

i) Bills issued to qualified investors;

On 3 January 2017, the bill, which the Group has issued to qualified investors on 1 July 2016 with ISIN Code of "TRFLDFK11713" and nominal value of TL 20,000,000 has expired.

On 27 January 2017, the bill, which the Group has issued to qualified investors on 5 August 2016 with ISIN Code of "TRFLDFK11721" and nominal value of TL 15,000,000 has expired.

On 3 January 2017, the Group has issued a bill which has ISIN Code of "TRFLDFK61726" and nominal value of TL 21,000,000 to qualified investors. The maturity date of the related bill is 29 June 2017.

On 13 January 2017, the Group has issued a bill which has ISIN Code of "TRFLDFK71717" and nominal value of TL 15,000,000 to qualified investors. The maturity date of the related bill is 7 July 2017.

On 27 January 2017, the Group has issued a bill which has ISIN Code of "TRFLDFK71725" and nominal value of TL 15,000,000 to qualified investors. The maturity date of the related bill is 21 July 2017.

ii) Changes in the Board of Directors of the Company's subsidiary Destek Varlık and sale of Destek Varlık were promulgated on Turkish Trade Registry Gazette no. 9243 on 17 January 2017.

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