LİDER FAKTORİNG A.Ş.

FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 30 JUNE 2016
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

INDEPENDENT AUDITOR'S REPORT

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

1. We have audited the accompanying financial statements of Lider Faktoring A.Ş. (the "Company") which comprise the interim balance sheet as at 30 June 2016 and the statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

2. Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Accounting Standard 34 "Interim financial reporting" and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

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

4. In our opinion, the financial statements present fairly, in all material respects, the financial position of Lider Faktoring A.Ş. as at 30 June 2016 and of its financial performance and cash flows for the six-month period then ended in accordance with International Accounting Standard 34 "Interim financial reporting".

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

Didem Demer Kaya, SMMM
Partner

Istanbul, 29 September 2016

LİDER FAKTORİNG A.Ş.

FINANCIAL STATEMENTS FOR THE PERIOD 1 JANUARY - 30 JUNE 2016

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LİDER FAKTORİNG A.Ş.

BALANCE SHEET AS AT 30 JUNE 2016

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

	Notes	30 June 2016	31 December 2015
ASSETS			
Cash and cash equivalents	5	1,491,528	654,625
Available-for-sale financial assets	6	113,119	57,139
Factoring receivables	7	792,397,493	616,378,272
Assets held for sale	8	124,288	57,183
Other assets and prepaid expenses	9	15,367,369	14,648,695
Property and equipment	10	27,549,718	27,512,452
Intangible assets	11	99,295	81,210
Deferred tax assets	20	5,996,521	5,291,457
Total assets		**843,139,331**	**664,681,033**
LIABILITIES			
Factoring payables	7	1,259,193	1,430,707
Current income taxes payable	20	1,731,833	1,535,002
Funds borrowed	12	545,146,692	422,404,570
Debt securities issued	13	176,730,192	119,167,183
Finance lease payables	14	22,047,604	21,990,161
Other liabilities	15	3,430,546	3,302,819
Reserve for employment termination benefits	16	3,740,257	3,086,644
Total liabilities		**754,086,317**	**572,917,086**
EQUITY			
Share capital	17	35,873,808	35,873,808
Revaluation surplus, net of tax		23,337,155	23,337,155
Remeasurements of employment termination benefits, net of tax		(557,845)	(437,760)
Legal reserves	17	9,059,442	7,690,779
Retained earnings		21,340,454	25,299,965
Total equity		**89,053,014**	**91,763,947**
Total liabilities and equity		**843,139,331**	**664,681,033**

The notes on pages 5 to 48 are an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIXTH-MONTH PERIOD ENDED 30 JUNE 2016

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

	Notes	1 January - 30 June 2016	1 January - 30 June 2015
Interest income		**68,643,472**	**55,861,320**
- Interest income on factoring receivables		*68,643,472*	*55,861,320*
Interest expense		**(44,220,447)**	**(39,247,389)**
- Interest expenses on funds borrowed (-)		(32,874,000)	(28,556,253)
- Interest expenses on marketable securities issued (-)		(9,809,421)	(9,513,820)
- Interest expenses on financial lease payables (-)		*(1,531,712)*	*(1,161,350)*
- Other interest expenses(-)		*(5,314)*	*(15,966)*
Net interest income		**24,423,025**	**16,613,931**
Fee and commission income on factoring transactions		4,475,587	5,458,557
Fee and commission expense on banking transactions (-)		(382,356)	(358,887)
Net fee and commission income		**4,093,231**	**5,099,670**
Interest income other than factoring		15,975	-
Foreign exchange (losses)/gains, net		(4,271)	(55,112)
Other operating income	22	857,200	93,387
Operating income		**29,385,160**	**21,751,876**
Personnel expenses (-)	18	(11,828,263)	(10,940,479)
Provision for possible factoring losses	7	(3,689,837)	(8,207,875)
Recoveries from factoring provisions		559,724	1,259,890
General administrative expenses (-)	19	(2,622,235)	(2,484,937)
Depreciation and amortization expenses (-)		(126,576)	(143,292)
Profit before income tax		**11,677,973**	**1,235,183**
Taxation on income			
Income tax expense (-)	20	(2,965,133)	(746,685)
Deferred tax income	20	675,043	494,603
Net profit for the period		**9,387,883**	**983,101**
Earnings per share			
Basic earnings per share (TL)	21	0.3129	0.0328
Diluted earnings per share (TL)	21	0.3129	0.0328
Other comprehensive income		**(120,085)**	**122,374**
Items that will not be reclassified to profit or loss			
Remeasurements of post employment benefit obligtation (-)	16	(150,106)	152,968
Deferred tax effect	20	30,021	(30,594)
Total comprehensive income for the period		**9,267,798**	**1,105,475**
Earnings per share			
Basic earnings per share (TL)	21	0.3089	0.0368
Diluted earnings per share (TL)	21	0.3089	0.0368

The notes on pages 5 to 48 are an integral part of these financial statements.

LİDER FAKTORİNG A.Ş.

STATEMENT OF CHANGES IN EQUITY FOR THE SIXTH-MONTH PERIOD ENDED 30 JUNE 2016

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

	Share capital	Inflationary effect on capital	Revaluation surplus, net of tax (*)	Actuarial gains, net of tax	Legal reserves	Retained earnings	Total equity
Balances at 1 January 2015	**30,000,000**	**5,873,808**	**20,477,229**	**192,726**	**5,070,545**	**45,526,045**	**107,140,353**
Total comprehensive income for the period							
Current period income	-	-	-	-	-	983,101	983,101
Transfer to legal reserves	-	-	-	-	1,419,467	(1,419,467)	-
Dividend paid (-)	-	-	-	-		(12,000,000)	(12,000,000)
Other comprehensive income	-	-	-	122,374	-	-	122,374
Total	**30,000,000**	**5,873,808**	**20,477,229**	**315,100**	**6,490,012**	**33,089,679**	**96,245,828**
Balances at 30 June 2015	**30,000,000**	**5,873,808**	**20,477,229**	**315,100**	**6,490,012**	**33,089,679**	**96,245,828**
Balances at 1 January 2016	**30,000,000**	**5,873,808**	**23,337,155**	**(437,760)**	**7,690,779**	**25,299,965**	**91,763,947**
Total comprehensive income for the period							
Current period income	-	-	-	-	-	9,387,883	9,387,883
Transfer to legal reserves	-	-	-	-	1,368,663	(1,368,663)	-
Dividend paid (-)	-	-	-	-		(11,978,731)	(11,978,731)
Other comprehensive expense (-)	-	-	-	(120,085)	-	-	(120,085)
Total	**30,000,000**	**5,873,808**	**23,337,155**	**(557,845)**	**9,059,442**	**21,340,454**	**89,053,014**
Balances at 30 June 2016	**30,000,000**	**5,873,808**	**23,337,155**	**(557,845)**	**9,059,442**	**21,340,454**	**89,053,014**

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

STATEMENT OF CASH FLOWS
FOR THE SIXTH-MONTH PERIOD ENDED 30 JUNE 2016

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

	Notes	1 January - 30 June 2016	1 January - 30 June 2015
Cash flows from operating activities:			
Net profit for the period		9,387,883	983,101
Components of net profit not generating or using cash			
Depreciation and amortization	10, 11	126,576	143,292
Provision for employee termination benefits	16	330,985	228,889
Provision/(release) for vacation pay liability	16	347,526	(161,020)
Net interest income (-)		(24,423,025)	(16,613,931)
Income tax expense	20	2,290,090	252,082
Provision for doubtful receivables	7	3,689,837	8,207,875
Total interest income		68,043,066	55,854,045
Change in fair value of available for sale financial assets		(55,980)	-
Income taxes paid (-)	20	(2,768,302)	(1,811,901)
Effect of exchange rate changes on cash and cash equivalents		(320)	(3,295)
Changes in operating assets and liabilities			
Change in factoring receivables		(179,108,652)	31,649,576
Change in factoring payables		(171,514)	(14,650)
Change in other assets		(785,779)	(66,218)
Change in other liabilities		127,727	1,432,414
Employee severance paid (-)	16	(175,002)	-
Net cash (used in)/ provided from operating activities		**(123,144,884)**	**80,080,259**
Investing activities:			
Purchase of property and equipment (-)	10	(132,492)	(77,717)
Purchase of intangible assets (-)	11	(49,435)	-
Net cash used in investing activities (-)		**(181,927)**	**(77,717)**
Financing activities:			
Interest paid (-)		(40,659,476)	(38,587,245)
Proceeds/(repayment) of loans, borrowings		121,443,401	(28,402,535)
Proceeds from debt securities		132,109,675	85,000,000
Repayment of debt securities (-)		(76,751,475)	(86,000,000)
Dividend paid (-)		(11,978,731)	(12,000,000)
Net cash provided from/(used in) financing activities		**124,163,394**	**(79,989,780)**
Net increase in cash and cash equivalents		**836,583**	**12,762**
Effect of exchange rate changes on cash and cash equivalents		**320**	**3,295**
Cash and cash equivalents at 1 January	**8**	**654,625**	**201,134**
Cash and cash equivalents at 30 June	**8**	**1,491,528**	**217,191**

The notes on pages 5 to 48 are an integral part of these financial statements.

1. ORGANISATION AND NATURE OF OPERATIONS

Lider Faktoring A.Ş. (the "Company") 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. 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 is registered with Turkish Trade Registry Gazette on 10 July 2013.

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

The Company's head office is located at Büyükdere Caddesi 100 Maya Akar Center K: 25 Esentepe - Istanbul. The Company has 148 employees as at 30 June 2016 (31 December 2015: 145).

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

The financial statements of the Company as at and for the period ended 30 June 2016 have been approved by the Company management on 29 September 2016. The General Assembly of the Company and certain regulatory bodies has the power to amend the statutory financial statements after their issue.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

(a) Basis of preparation

These interim financial statements for the six-month period ended 30 June 2016 have been prepared in accordance with IAS 34, "Interim financial reporting". The preparation of financial statements requires the Company management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Those estimates are reviewed periodically, and as adjustments become necessary, they are reported in earnings in the periods in which they become known.

The financial statements have been prepared on the historical cost basis except for, if applicable, certain financial instruments which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

(b) Going concern

The Company has prepared the financial statements according to the going concern assumption.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

(c) Accounting for the effects of hyperinflation

Prior to 1 January 2006, International Accounting Standard 29 ("IAS 29"), "Financial Reporting in Hyperinflationary Economies", requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the purchasing power of this currency at balance sheet date and restatement of the financial statements of the comparative periods within same terms. As the characteristics of the economic environment of Turkey indicate that hyperinflation has ceased, effective from 1 January 2006, the Company has no longer applied IAS 29. Accordingly, the measuring unit current at 31 December 2005 is treated as the basis for the valuation of the amounts in these financial statements.

(d) Functional and presentation currency

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

(e) Functional and presentation currency

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

(f) Comparative financial information and restatement of prior year financial statements

In order to enable the determination of the financial position and performance trends, the Company's financial statements have been presented comparatively with the prior period. Reclassifications are made on comparative figures to conform to changes in presentation of the financial statements and major differences are explained.

(g) Changes in accounting policies

Material changes in accounting policies are applied retrospectively and previous period financial statements are rearranged. There is no material change in Company's accounting policies in current year.

(h) Changes in accounting policies

The effect of a change in an accounting estimate is recognised prospectively in the period of the change, if the change affects that period only; or the period of the change and future periods, if the change affects both. There has not been any significant change in the accounting estimates of the Company in the current year.

Material prior period errors are corrected retrospectively by restating the comparative amounts for the prior periods.

(i) Use of estimates and judgements

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

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

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

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 30 June 2016 is included in the following notes:

(j) Adoption of new or revised standards and interpretations

New standards, amendments and interpretations effective as of 30 June 2016:

- 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 amortization, effective from annual periods beginning on or after 1 January 2016. In this amendment 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.

- 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 recognize amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not recognize such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

- Amendments to IAS 27, "Separate financial statements" 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.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

- 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.

- 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 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 improve presentation and disclosure in financial reports

Standards and amendments issued but not yet effective as of 30 June 2016:

- 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 to 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 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.

2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (Continued)

Standards and amendments issued but not yet effective as of 30 June 2016 (Continued):

- Amendment to IFRS 15, "Revenue from contracts with customers", effective from annual periods beginning 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 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 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 far reaching 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 recognize 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.

Early adoption of standards

The Company did not early-adopt new or amended standards at 30 June 2016. Based on its estimates, The Company considers effect of the prospective changes to over the financial position and performance of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

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

Cash and cash equivalents

Cash and cash equivalents are initially recognised at cost in the balance sheet. Cash and cash equivalents consist of cash on hand, deposits at banks, defined amounts those are convertible to cash and highly liquid investments not significantly exposed to revaluation risk with maturities three months or less than three months (Note 5).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and liabilities are included in the balance sheet of the Company in case the Company is a legal party to those financial instruments.

a. Effective interest rate method

Effective interest rate method is the validation of the financial asset through amortized cost and the distribution of the related interest income to the related period. Effective interest ratio is the rate that reduces the estimated cash total to be collected during the expected life of the financial instrument or within a shorter period of time, when applicable, to the current net value of the financial instrument.

The income related to the financial assets classified apart from the financial assets at fair value through profit or loss, and available-for-sale equity instruments are calculated using the effective interest method.

The financial assets other than the ones classified as financial assets at fair value through profit or loss and recorded on the fair value are recognized over the total amount of expenditures that can be directly linked to the call transaction. The related assets are quoted or unquoted on the trading date depending on the result of the trading of the financial assets based on a contract which stipulates that the investment instruments are delivered in line with the time set by the related market. The financial assets are classified into "financial assets at fair value through profit or loss", "held-to-maturity investments", "available-for-sale financial assets" and loans and receivables". Classification is based on the quality and purpose of the financial assets and determined during the first recognition.

b. Financial assets at fair value through profit or loss

In the event that the Company acquires the financial assets primarily in order to sell them in the near term, the financial assets are a part of a financial instrument portfolio defined and managed by the Company, and as in all the derivative products not designated as effective hedging instruments, the short-term profits of the financial assets are realized, the stated financial assets are classified as the financial assets at fair value through profit or loss. Losses or profits arising from the fair value validation of the financial assets at fair value through profit or loss are recognized in profit/loss. Net gains or losses recognized in profit or loss include the interest and/or dividend amount acquired from the stated financial asset.

c. Held-to-maturity investments

They are classified as the held-to-maturity investments that have either fixed or determinable payments, or fixed-term debt instruments and for which an entity has both the ability and the intention to hold to maturity. The held-to-maturity investments are recognized deducting the impairment amount from the amortized cost based on the effective interest model and the related incomes are calculated using the effective interest method.

The Company has no held-to-maturity investments as of 30 June 2016 (31 December 2015: None).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Available-for-sale financial assets

They are classified as the publicly quoted equity instruments held by the Company and traded in an active market and the financial assets some of the debt securities of which are ready to be sold and they are shown at fair value. The Company has equity instruments classified as the financial assets not publicly quoted and not traded in an active market but ready to be sold; and their fair values cannot be measured reliably; therefore, they are shown at amortized costs. Impairments on the statement of income and the gains and losses arising from the changes in the fair value, except for the exchange difference profit/loss amount regarding the interest and monetary instruments calculated using the effective interest method are recognized within the other comprehensive income and accumulated in the financial assets appreciation fund. In case the investment is sold or subjected to impairment, the total profit/loss accumulated in the financial assets appreciation fund are classified in the statement of income.

Dividends associated with the available-for-sale equity instruments are recognized in profit/loss when the Company is vested to receive the related payments.

The fair value of the available-for-sale financial assets in foreign currency is calculated by converting the current value in the related foreign currency to the reported currency using the conversion rate valid on the reporting date. The changes in the fair value of the asset that arise from the conversion rate are recognized in profit/loss, while other changes are recognized under equity.

e. Impairment in financial assets

The financial assets other than the ones at fair value through profit or loss are evaluated to find some indicators on whether a financial asset or a group of financial assets is impaired or not on each balance sheet date. In the event that one or more than one incidents happen after the first recognition of the financial assets and there is an objective indicator showing that the stated loss having an impact on the estimated cash flows of the related financial asset or the financial asset group, which can be reliably estimated, has caused the financial asset to be impaired, the impairment occurs and the impairment loss arises. The impairment amount for the loans and receivables is the difference between the current value of the anticipated cash flows calculated discounting over the basic interest rate of the financial asset and the book value.

Except the trade receivables the book value of which is decreased using an allowance account, the impairment in all the financial assets is deducted from the quoted value of the asset directly. In case the trade receivable cannot be collected, this amount is written off by being deducted from the allowance account. The changes in the allowance account are recognized in profit or loss.

Except the available-for-sale equity instruments, if the impairment loss decreases in the next term and can be associated with an event that happens after the recognition of the impairment loss, the impairment loss recognized before is cancelled in profit/loss not to exceed the amortized cost to reach in the event that the impairment of the investments is never recognized on the date of cancellation for the impairment.

The increase in the fair value of the available-for-sale equity instruments after the impairment is recognized directly in equities.

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial liabilities

The financial liabilities and equity instruments of the Company are classified based on contractual arrangements and the definition basis of a financial liability and equity-based instrument. The contract representing the right in the remaining assets after deducting all the debt of the Company is the equity financial instrument.

The financial liabilities are classified as the financial liabilities at fair value through profit or loss or as other financial liabilities.

g. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss, is recognized in their fair values and in each reporting term, revaluated in their fair values on the balance sheet date. A change in the fair values is recognized in the statement of income. Net gains or losses recognized in the statement of income include the interest rate paid for the stated financial liability.

h. Derivative financial instruments

The operations of the Company mainly establish the entity and expose it to the financial risks based on the changes in the interest rates. Derivative financial instruments (basically foreign exchange swap contracts) are used sometimes in order to manage the financial risks associated with the exchange rate fluctuations based on the future foreign exchange and loan transactions.

Derivative financial instruments are calculated at the fair value on the contract date and then recalculated at their fair value in the next reporting terms. The Company does not indicate the derivative financial instruments as hedging and therefore, the change in the current values of these derivative transactions is associated with the income and expenditure of the current year.

As of 30 June 2016 and 31 December 2015, the Company does not have any ongoing derivative transactions.

Factoring receivables and provision for impaired factoring receivables

Factoring receivables originated by the Company by providing money directly to the borrower are considered as factoring receivables and are carried at amortised cost. All factoring receivables are recognised when cash is advanced to borrowers against their domestic and foreign receivables.

A credit risk provision for impairment of the factoring receivables is established if there is objective evidence that the Company will not be able to collect all amounts due as a result of one or more events that occurred after the initial recognition of the asset (a “loss event”) and that loss event (or events) has an impact on the estimated future cash flows of the receivables. The amount of the provision for impaired factoring receivables is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the interest rate at inception. For restructured receivables, the Company initially determines as to whether there has been an impairment as a result of the restructuring, and if so, a provision for impairment is recorded representing the difference between the recoverable amount, 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)

Factoring receivables and provision for impaired factoring receivables (Continued)

The provision also covers losses where there is objective evidence that probable losses are present in components of the portfolio at the balance sheet date. These have been estimated based upon historical loss experience which is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The provision made during the year is charged against the income for the period.

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

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

    (i) adverse changes in the payment status of borrowers; or
    (ii) national or local economic conditions that correlate with defaults on the assets in the group.

The Company considers evidence of impairment for loans and advances measures at amortised costs at both a specific level. All individually significant loans and advances measured at amortised cost are assessed for specific impairment. All individually significant loans and advances measured at amortised cost found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances measured at amortised cost that are not individually significant are collectively assessed for impairment by grouping together loans and advances measured at amortised cost with similar characteristics.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances.

Receivables that cannot be recovered are written off and charged against the provision for impaired factoring receivables. These receivables are written off after all the necessary legal procedures have been completed and the amount of the loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction of the charge for provision for impaired factoring receivables for the period (Note 6).

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

(i) Recognition and measurement

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

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

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

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

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

Leases

(i) Determining whether an arrangement contains a lease

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

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

(ii) Leased assets

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

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

(iii) Lease payments

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets

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

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

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

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

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

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

Employee benefits

(i) Reserve for employee severance payments

In accordance with the existing social legislation in Turkey, the Company is required to make certain lump-sum severance indemnity to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In the accompanying financial statements, the Company has reflected a reserve for employee severance using statistical method and discounted by using the current market yield at the reporting date on government bonds, in accordance with International Accounting Standards IAS.19-Revised "Employee Benefits".

(ii) Short-term employee benefits

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

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

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

Provisions

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

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.

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.

Income tax

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

(i) Current tax

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

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

(ii) Deferred tax

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

Deferred tax is not recognized for:

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

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

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

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

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

Subsequent events

Certain subsequent events that require an adjustment are provided with additional information regarding the position of Company as of the balance sheet date are recognised in the financial statements. Events that do not require an adjustment are presented at the notes to these financial statements, if they meet a certain level of importance (Note 27).

Assets held for sale

A tangible asset (or a disposal Company 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.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Company makes estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on Management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgements, apart from those involving estimations, in the process of applying the accounting policies. Judgements that have the most significant effect on the amounts recognized in the financial statements and estimates that can cause a significant adjustment to the carrying amount of assets and liabilities within the next financial year include.

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

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Allowance for impairment of factoring receivables

A credit risk provision for impairment of factoring receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The estimates used in evaluating the adequacy of the provision for impairment of factoring receivables is based on the aging of these receivable balances and the trend of collection performance.

Recognition of deferred tax assets:

Deferred tax assets can be recorded as much as the said tax benefit is probable. Amount of taxable profits and possible tax benefits in the future is based on medium term business plan and expectations prepared by the Company. The business plan is based on rational expectations of the Company under current circumstances.

The Company provides the deferred tax assets that have been made over the provision for doubtful receivables in the future corporate tax base would take advantages of a sale could be used as a deduction and tax advantages.

Determining fair values of buildings:

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.

5. CASH AND CASH EQUIVALENTS

As at 30 June 2016 and 31 December 2015, cash and cash equivalents comprised the following:

	30 June 2016	31 December 2015
Cash on hand	19,217	17,360
Cash at banks	1,472,311	637,265
Demand deposits	*1,472,311*	*637,265*
	1,491,528	**654,625**

As of 30 June 2016 and 31 December 2015, there are no time deposits and blockage on cash and cash equivalents.

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

6. FINANCIAL ASSETS

Financial assets held for trading;

	30 June 2016	31 December 2015
Marketable securities	113,119	57,139
Share certificates (*)	*113,119*	*57,139*
	113,119	**57,139**

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

7. FACTORING RECEIVABLES AND PAYABLES

As of 30 June 2016 and 31 December 2015, details of the factoring receivables are presented below:

	30 June 2016	31 December 2015
Domestic factoring receivables	828,279,651	643,950,400
Foreign factoring receivables	4,508,589	-
Doubtful receivables	34,272,871	31,946,710
Factoring receivables, gross	**867,061,111**	**675,897,110**
Unearned income on factoring transactions (-)	(33,081,588)	(29,567,363)
Provision for impairment in doubtful receivables (-)	(41,582,030)	(29,951,475)
Factoring receivables, net	**792,397,493**	**616,378,272**

As of 30 June 2016 and 31 December 2015, maturity of factoring receivables excluding unearned income and doubtful receivables are as follows:

	30 June 2016	31 December 2015
Up to 1 month	179,049,479	127,952,160
1- 3 months	283,980,790	219,783,975
3 months - 1 year	346,439,908	288,295,101
1 year and over	23,318,063	7,919,164
	832,788,240	**643,950,400**

The Company has obtained the following collaterals regarding to its factoring receivables as at 30 June 2016 and 31 December 2015:

	30 June 2016	31 December 2015
Customer notes and cheques obtained as collateral	874,552,252	668,913,533

As at 30 June 2016, carrying value of the Company's restructured factoring receivables is amounting to 1,500,323 TL (31 December 2015: TL 1,466,222).

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

7. FACTORING RECEIVABLES AND PAYABLES (Continued)

As of 30 June 2016 and 31 December 2015, maturity profile of the doubtful receivables and the specific allowance are as follows:

	30 June 2016		31 December 2015	
	Doubtful receivables	**Specific allowance**	**Doubtful receivables**	**Specific allowance**
Past due 3 months	4,353,348	4,353,348	4,774,705	2,779,470
Past due 3-6 months	2,011,374	1,205,091	2,754,343	2,754,343
Past due 6-12 months	8,332,552	7,947,552	6,108,417	6,108,417
Past due over 1 year	19,575,597	19,575,597	18,309,245	18,309,245
Total	**34,272,871**	**33,081,588**	**31,946,710**	**29,951,475**

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

	2016	**2015**
Opening - 1 January	**29,951,475**	**19,723,455**
Allowance for the period	3,689,837	8,207,875
Recoveries of amounts previously provided for (-) (Note 22)	(559,724)	(1,259,890)
Closing - 30 June	**33,081,588**	**26,671,440**

As of 30 June 2016, factoring payables amounting to TL 1,259,193 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 1,430,707).

8. ASSETS HELD FOR SALE

	30 June 2016	**31 December 2015**
Assets held for sale	124,288	57,183
	124,288	**57,183**

	1 January 2016	**Addition**	**Disposal**	**30 June 2016**
Real estate properties	57,183	67,105	-	124,288
Net book value	**57,183**	**67,105**	**-**	**124,288**

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

8. ASSETS HELD FOR SALE (Continued)

	1 January 2015	Addition	Disposal	31 December 2015
Real estate properties	-	57,183	-	57,183
Net book value	**-**	**57,183**	**-**	**57,183**

9. OTHER ASSETS AND PREPAID EXPENSES

As of 30 June 2016 and 31 December 2015, other assets and prepaid expenses comprised the following:

	30 June 2016	31 December 2015
Advances given (*)	12,493,333	12,587,103
Receivables from Tax Authority (**)	2,042,365	1,257,500
Receivables from legal cases	556,485	403,086
Prepaid expenses	199,991	277,579
Other	75,195	123,427
	15,367,369	**14,648,695**

(*) These advances were given to a construction firm for the construction of head office building, that the Company plans to move it's headquarter in the future. The related amount indicates a property and equipment in substance and will be classified under the plant property and equipment upon the completion of the process.

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

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

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

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

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

9. OTHER ASSETS AND PREPAID EXPENSES (Continued)

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

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

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

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

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

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

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

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

The Company, has made a repayment request to the Tax Authority regarding to its total paid tax penalty with a total of TL 2,803,088 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 784,865 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 2,803,088) 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 784,865 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 1,257,500 (31 December 2015: 1,257,500 TL) and interest for late payment TL 784,865 (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 Turkish Lira (“TL”) unless otherwise stated.)

10. PLANT, PROPERTY AND EQUIPMENT

Movements of plant property and equipment for 30 June 2016 and 31 December 2015 are as follows:

	Buildings	Furniture and fixtures	Leasehold improvements	Total
Cost				
Balance at 1 January 2015	**24,250,000**	**1,509,378**	**262,473**	**26,021,851**
Additions	23,000,000	70,291	25,260	23,095,551
Revaluation	860,000	-	-	860,000
Disposal (-)	(21,000,000)	-	-	(21,000,000)
Balance at 31 December 2015	**27,110,000**	**1,579,669**	**287,733**	**28,977,402**
Balance at 1 January 2016	**27,110,000**	**1,579,669**	**287,733**	**28,977,402**
Additions	-	126,480	6,012	132,492
Balance at 30 June 2016	**27,110,000**	**1,706,149**	**293,745**	**29,109,894**

	Buildings	Furniture and fixtures	Leasehold improvements	Total
Accumulated depreciation				
Balance at 1 January 2015	**-**	**(1,085,459)**	**(176,191)**	**(1,261,650)**
Depreciation for the period (-)	-	(165,153)	(38,147)	(203,300)
Balance at 31 December 2015	**-**	**(1,250,612)**	**(214,338)**	**(1,464,950)**
Balance at 1 January 2016	**-**	**(1,250,612)**	**(214,338)**	**(1,464,950)**
Depreciation for the period (-)	-	(76,000)	(19,226)	(95,226)
Balance at 30 June 2016	**-**	**(1,326,612)**	**(233,564)**	**(1,560,176)**
Net book value				
31 December 2015	**27,110,000**	**329,057**	**73,395**	**27,512,452**
30 June 2016	**27,110,000**	**379,537**	**60,181**	**27,549,718**

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

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

10. PLANT, PROPERTY AND EQUIPMENT (Continued)

As of 30 June 2016, total amount of insurance coverage on property and equipment is TL 6,915,203 (31 December 2015: TL 6,915,203).

As of 30 June 2016, the net carrying amount of finance leased building is TL 23,000,000 (31 December 2015: TL 23,000,000). The Company sold its head office building on 14 December 2015 with sell and lease back agreement and leased back the head office building on 25 December 2015 from İş Finansal Kiralama A.Ş.. Terms of the leasing agreement is one year. After one year, ownership of the property will pass to the Company.

If lands and buildings excluded finance leased building were stated on the historical cost basis, the amounts would be as follows:

	30 June 2016	31 December 2015
Cost	5,289,879	5,289,879
Accumulated depreciation (-)	(1,046,728)	(993,829)
Net book value	**4,243,151**	**4,296,050**

11. INTANGIBLE ASSETS

Movements of intangible assets for 30 June 2016 and 31 December 2015 are as follows:

Cost	**Software**
Balance at 1 January 2015	610,114
Additions	47,284
Balance at 31 December 2015	**657,398**
Balance at 1 January 2016	657,398
Additions	49,435
Balance at 30 June 2016	**706,833**
Accumulated amortization	
Balance at 1 January 2015 (-)	**(507,559)**
Amortization for the year (-)	(68,629)
Balance at 31 December 2015	**(576,188)**
Balance at 1 January 2016 (-)	**(576,188)**
Amortization for the year (-)	(31,350)
Balance at 30 June 2016	**(607,538)**
Net book value	
At 31 December 2015	81,210
At 30 June 2016	99,295

As at 30 June 2016 and 31 December 2015, the Company does not have any intangible assets generated within the Company.

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

12. LOANS AND BORROWINGS

As of 30 June 2016 and 31 December 2015, loans and borrowings comprised the following:

30 June 2016

Bank loans currency	Original amount	Effective interest rate (%)	Up to 1 year	1 year and over	Total loans and borrowings
TL	500,010,320	11.34-15.95	473,013,544	26,996,776	500,010,320
USD	11,798,359	3.90	34,139,733	-	34,139,733
Euro	3,431,731	3.25-3.90	10,996,639	-	10,996,639
Total			**518,149,916**	**26,996,776**	**545,146,692**

31 December 2015

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

13. DEBT SECURITIES ISSUED

As at 30 June 2016 and 31 December 2015, debt securities issued comprised the following:

	30 June 2016	31 December 2015
Bills issued	156,745,014	79,046,795
Bonds issued	19,985,178	40,120,388
	176,730,192	**119,167,183**

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

ISIN CODE	Issue date	Issued nominal amount (TL)	Maturity date	Sales type	Coupon period payment
Bills issued					
TRFLDFKK1614	16 November 2015	20,000,000	14 November 2016	Qualified investor	Quarterly
TRFLDFK81617	8 February 2016	15,000,000	5 August 2016	Private placement	Maturity date
TRFLDFK91624	29 March 2016	20,000,000	20 September 2016	Private placement	Maturity date
TRFLDFKE1612	19 April 2016	20,000,000	14 October 2016	Private placement	Maturity date
TRFLDFKK1622	1 June 2016	32,000,000	25 November 2016	Private placement	Maturity date
TRFLDFK61718	29 June 2016	13,000,000	28 June 2017	Private placement	Quarterly
Bonds issued					
TRSLDFK91619	1 April 2015	20,000,000	28 September2016	Qualified investor	Quarterly

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

13. DEBT SECURITIES ISSUED (Continued)

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

14. FINANCIAL LEASE PAYABLES

As of 30 June 2016 and 31 December 2015, financial lease payables comprised the following:

	30 June 2016	**31 December 2015**
Future minimum lease payments	23,528,289	24,945,115
Interest (-)	(1,480,685)	(2,954,954)
	22,047,604	**21,990,161**

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

15. OTHER LIABILITIES

As at 30 June 2016 and 31 December 2015, other liabilities comprised the following:

	30 June 2016	**31 December 2015**
Taxes and duties other than on income	3,144,890	2,928,964
Payables to suppliers	246,728	324,235
Other payables	38,928	49,620
	3,430,546	**3,302,819**

16. EMPLOYEE BENEFITS

As of 30 June 2016 and 31 December 2015, employee benefits comprised the following:

	30 June 2016	**31 December 2015**
Employee termination benefits provision	2,562,395	2,256,308
Unused vacation provision	1,177,862	830,336
	3,740,257	**3,086,644**

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

16. EMPLOYEE BENEFITS (Continued)

a) Long term employment benefit obligations

Employee termination benefits payments

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay, maximum of TL 4,297.21 at 1 July 2016 (1 January 2016: 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 periodically.

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

International Accounting Standard No. 19 ("IAS 19") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The reserve has been calculated by estimating the present value of future probable obligation of the Company arising from the retirement of the employees. Accordingly, the following statistical assumptions were used in the calculation of the following liability as at 30 June 2016 and 2014:

	30 June 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

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

	2016	**2015**
Openning - 1 January	**2,256,306**	**1,253,448**
Interest cost	153,744	84,180
Service cost	177,241	144,709
Payment during the period (-)	(175,002)	(165,562)
Actuarial losses/(gains)	150,106	(152,968)
Closing - 30 June	**2,562,395**	**1,163,807**

b) Short term employment benefit obligations

Unused vacation provision

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

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

16. EMPLOYEE BENEFITS (Continued)

For the periods ended 30 June, movements in the vacation pay liability are as follows:

	2016	2015
Opening - 30 June	**830,336**	**866,200**
Addition/(cancellation) of provision during the period	347,526	(161,020)
Closing - 30 June	**1,177,862**	**705,180**

17. EQUITY

Paid-in capital

As of 30 June 2016 and 31 December 2015, the nominal value of the Company’s authorized and paid-in share capital amounts to TL 30,000,000 comprising 30,000,000 registered shares of par value of 1 TL. Adjustment to share capital represents the restatement effect of the contributions to share capital equivalent to purchasing power of TL at 31 December 2005.

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

As of 30 June 2016 and 31 December 2015, the composition of the authorized and paid-in share capital was as follows:

	30 June 2016					31 December 2015	
	Share (%)	Group A	Group B	Group C	Total	Share (%)	Total
Nedim Menda	34.85	10,000	10,445,000	-	10,455,000	34.85	10,455,000
Yuda Elenkave (successors) (*)	24.95	20,000	7,465,000	-	7,485,000	24.95	7,485,000
Jak Sucaz	10.20	10,000	3,050,000	-	3,060,000	10.20	3,060,000
Credit Suisse Investments (Netherlands) B.V.	9.90	-	-	2,970,000	2,970,000	9.90	2,970,000
Raşel Elenkave	5.10	10,000	1,520,000	-	1,530,000	5.10	1,530,000
Publicly trade	15.00	-	4,500,000	-	4,500,000	15.00	4,500,000
Nominal share capital	**100**	**50,000**	**26,980,000**	**2,970,000**	**30,000,000**	**100**	**30,000,000**
Adjustment to share capital					5,873,808		5,873,808
Total paid-in share capital					**35,873,808**		**35,873,808**

(*) On 11 May 2016, the Company applied to the BRSA, in accordance with the request of the inheritors of the Chairman of the Board of Directors, Yuda Elenkave, who died on 17 April 2016, in relation to transferring via will his shares in the name of said inheritors, who applied with a “Certificate of Inheritance” dated 26 April 2016, and the shares will be held subject to processing in accordance with the BRSA’s declaration.

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

17. EQUITY (Continued)

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.

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 9,059,442 at 30 June 2016 (31 December 2015: TL 7,690,779).

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.

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.

18. PERSONNEL EXPENSES

For the periods ended 30 June 2016 and 30 June 2015, personnel expenses comprised the following:

	1 January - 30 June 2016	**1 January - 30 June 2015**
Salary expenses	6,885,826	6,244,962
Board of directors salary expenses	3,372,501	3,180,191
Social security premium employer's share expenses	955,268	932,646
Meal expenses	283,683	353,791
Provision for employee severance expenses	330,985	228,889
	11,828,263	**10,940,479**

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

19. GENERAL ADMINISTRATIVE EXPENSES

For the periods ended 30 June 2016 and 30 June 2015, administrative expenses comprised the following:

	1 January - 30 June 2016	**1 January - 30 June 2015**
Rent expenses	771,258	801,965
Consultancy expenses	248,356	267,153
Travelling expenses	133,500	192,163
Office supplies expenses	183,774	190,695
Communication expenses	123,974	129,505
Legal and court expenses	158,074	237,387
Maintenance and repair expenses	145,871	65,728
Taxes and duties other than on income	64,245	35,849
Advertising expenses	3,815	8,850
Subscription expenses	134,964	120,577
Other	654,404	435,065
	2,622,235	**2,484,937**

20. 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.

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

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

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

20. TAXATION (Continued)

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

	1 January - 30 June 2016	1 January - 30 June 2015
Current tax expense		
Current period income tax expense (-)	(2,965,133)	(746,685)
	(2,965,133)	**(746,685)**
Deferred tax income		
Current period deferred tax income	675,043	494,603
	675,043	**494,603**
Total tax expense for the period (-)	**(2,290,090)**	**(252,082)**

The reported tax expense for the periods ended 30 June 2016 and 30 June 2015 are different than the amounts computed by applying the statutory tax rate to profit before tax as shown in the following reconciliation:

	1 January - 30 June 2016	1 January - 30 June 2015
Profit before income taxes	**11,677,973**	**1,235,183**
Theoretical tax expense at the applicable tax rate 20% (-)	(2,335,595)	(247,037)
Tax effect of items which are not deductible or assessable for taxation purposes (-)	(14,028)	(23,513)
Income exempt from taxation	59,533	18,468
Total tax expense for the period (-)	**(2,290,090)**	**(252,082)**

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

The current tax liabilities as of 30 June 2016 and 31 December 2015 comprised the following:

	30 June 2016	31 December 2015
Taxes on income	2,965,133	2,980,322
Less: Corporation taxes paid in advance	(1,233,300)	(1,445,320)
Current tax liabilities	**1,731,833**	**1,535,002**

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

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

20. TAXATION (Continued)

Deferred tax assets and deferred tax liabilities as at 30 June 2016 and 31 December 2015 were attributable to the items detailed in the table below:

	Cumulative temporary differences		Deferred tax assets/ (liabilities)	
	30 June 2016	**31 December 2015**	**30 June 2016**	**31 December 2015**
Deferred tax asset				
Provision for impaired factoring receivables	24,795,130	22,028,867	4,959,026	4,405,773
Reserve for employment termination benefits	3,740,257	3,086,644	748,051	617,329
Deferred commission income	1,509,409	1,677,161	301,882	335,432
Deferred provision income	270,579	186,513	54,116	37,303
Temporary differences on borrowings and issued marketable securities	228,156	59,530	45,631	11,906
			6,108,706	**5,407,743**
Deferred tax liability				
Valuation difference between carrying values and tax base of property and equipment (-) (*)	(1,912,066)	(1,884,767)	(95,603)	(94,238)
Effects of useful life differences of property and equipment, and intangible assets (-)	(82,912)	(110,236)	(16,582)	(22,048)
			(112,185)	**(116,286)**
Net deferred tax asset			**5,996,521**	**5,291,457**

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

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

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

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

20. TAXATION (Continued)

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

	30 June 2016	30 June 2015
Balance at 1 January	5,291,457	3,717,870
Deferred tax income recognized in profit or loss	675,043	464,009
Deferred tax income recognized in other comprehensive income/(expense)	30,021	(30,594)
	5,996,521	**4,181,879**

	30 June 2016	31 December 2015
Current deferred tax assets/(liabilities)		
Deferred commission income	301,882	335,432
Temporary differences on borrowings and issued marketable securities	45,631	11,906
Total current deferred tax assets	**347,513**	**347,338**
Valuation difference between carrying values and tax base of property and equipment	(95,603)	(94,238)
Total current deferred tax liabilities (-)	**(95,603)**	**(94,238)**
Non-current deferred tax assets/(liabilities)		
Provision for impaired factoring receivables	4,959,026	4,405,773
Employee termination benefit provision	748,051	617,329
Other provision	54,116	37,303
Total non-current deferred tax assets	**5,761,193**	**5,060,405**
Effects of useful life differences of property and equipment, and intangible assets (-)	(16,582)	(22,048)
Total non-current deferred tax liabilities (-)	**(16,582)**	**(22,048)**
Deferred tax assets, (net)	**5,996,521**	**5,291,457**

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

21. EARNINGS PER SHARE

For the periods ended 30 June, the calculation of earnings per share was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding as follows:

	1 January - 30 June 2016	**1 January - 30 June 2015**
Denominator:		
Weighted average number of shares	30,000,000	30,000,000
Numerator:		
Net profit for the period	9,387,883	983,101
Basic and diluted profit per share	**0.3129**	**0.0328**

22. OTHER OPERATING INCOME

For the periods ended 30 June 2016 and 30 June 2015, other operating income comprised the following:

	30 June 2016	**30 June 2015**
Interest income from Tax Authority receivables (*)	784,865	-
Recoveries of doubtful receivable amounts		
Other income	72,335	93,387
	857,200	**93,387**

(*) As explained in detail in Note 9, the Company won the lawsuit it filed at the Istanbul 14th Tax Court, requesting the payment of the overdue interest calculated amounting to TL 784,865 for the period between the tax administration office's collection date and the payment date.

23. FINANCIAL RISK MANAGEMENT

Overview

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

- Credit risk
- Liquidity risk
- Market risk
- Capital risk

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

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

23. FINANCIAL RISK MANAGEMENT (Continued)

Risk management framework

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

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

The Company has 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.

a) Credit risk

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

As at 30 June 2016 and 31 December 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.

Geographical distribution of Company's assets and liabilities are as follows:

30 June 2016	**Total assets**	**Share (%)**	**Total liabilities**	**Share (%)**
Turkey	838,630,742	99.47	658,214,743	87.29
European countries	4,508,589	0.53	95,871,574	12.71
	843,139,331	**100.00**	**754,086,317**	**100.00**

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

23. FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (Continued)

31 December 2015	Total assets	(%)	Total liabilities	(%)
Turkey	664,681,033	100.00	451,309,468	78.77
European countries	-	-	121,607,618	21.23
	664,681,033	**100.00**	**572,917,086**	**100.00**

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

	30 June 2016	31 December 2015
Factoring receivables	792,397,493	616,378,272
Other receivables	15,167,378	14,371,116
Cash and cash equivalents	1,472,311	637,265
	809,037,182	**631,386,653**

As of 30 June 2016 and 31 December 2015 the maximum exposure to credit risk of the Company's financial assets is equal to their carrying values.

	Factoring receivables		Cash at banks (presented in cash and cash equivalents)	
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
Carrying amount	792,397,493	616,378,272	1,491,528	654,625
Assets at amortised cost				
Individually impaired				
0 - 90 days	4,353,348	4,774,705	-	-
90 - 150 days	2,011,374	2,754,343	-	-
150 - 360 days	8,332,552	6,108,417		
Over 360 days	19,575,597	18,309,245	-	-
Gross amount	**34,272,871**	**31,946,710**	**-**	**-**
Specific allowance for impairment (-)	**(33,081,588)**	**(29,951,475)**	**-**	**-**
Carrying amount of individually impaired factoring receivables	**1,191,283**	**1,995,235**	**-**	**-**
Past due not impaired (0-90 days)	-	-		
Carrying amount of past due but not impaired receiavbles	**1,191,283**	**1,995,235**	**-**	**-**
Neither past due nor impaired	**791,206,210**	**361,216**	**-**	**-**
Carrying amount	**792,397,493**	**616,378,272**	**1,491,528**	**654,625**
Portfolio allowance for impairment (-)	-	-	-	-
Carrying amount	**792,397,493**	**616,378,272**	**1,491,528**	**654,625**

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

23. FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (Continued)

Movements of specific provision for impaired factoring receivables are as follows:

	2016	**2015**
Openning - 1 January	**29,951,475**	**19,723,455**
Provision for the period	3,689,837	8,207,875
Recovered provisions for doubtful receivables (-)	(559,724)	(1,259,890)
Closing - 30 June	**33,081,588**	**26,671,440**

Impaired loans

Impaired loans are those for which the Company determines that it is probable that it will be unable to collect all principal and interest due to according to the contractual terms of the loans.

Past due but not impaired loans

Past due not impaired loans, other than those carried at fair value through profit or loss, are those for which contractual interest or principal payments are past due, but the Company believes that impairment is not appropriate on the basis level of security / collateral available and / or the stage of collection of amounts owed to the Company.

Allowance for impairment

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.

Write-off policy

The Company writes off a loan balance, and any related allowances for impairment losses, when Company determines that the loan is uncollectible and if it is allowed by the local regulations. This determination is reached after considering information such as occurrence of significant changes in the borrower's / issuer's financial position such that the borrower / issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

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

23. FINANCIAL RISK MANAGEMENT (Continued)

Set out below is an analysis of the gross and net (of allowances for impairment) amounts of individually impaired assets by risk grade.

	Factoring receivables	
	Gross	**Provision (-)**
30 June 2016		
Individually impaired	34,272,871	(33,081,588)
	34,272,871	**(33,081,588)**
31 December 2015		
Individually impaired	31,946,710	(29,951,475)
	31,946,710	**(29,951,475)**

The Company holds collateral against factoring receivables in the form of mortgage interests over property, other registered securities over assets, and guarantees.

As at 30 June 2016 and 31 December 2015, the breakdown of factoring receivables, excluding unearned income and doubtful receivables, by industrial groups is as follows:

	30 June 2016	**(%)**	**31 December 2015**	**(%)**
Iron and steel	117,521,113	14	92,768,048	15
Textile	108,186,555	13	91,282,815	14
Construction	105,630,224	13	96,863,889	14
Trading	84,419,176	10	68,309,599	11
Automotive	79,736,715	10	60,497,225	9
Food	62,091,590	7	43,280,525	7
Machinery	51,203,486	6	35,886,805	6
Paper and printing	45,279,794	5	33,280,834	5
Rubber and plastics	47,680,720	6	31,629,549	5
Agricultural products	29,769,975	4	21,397,731	3
Wood products	25,444,100	3	19,483,737	3
Chemicals	22,808,462	3	13,882,504	2
Electrics and electronics	17,343,475	2	13,739,315	2
Leather products	3,623,276	-	2,712,444	-
Tourism	2,197,780	-	1,369,059	-
Others	29,851,799	4	17,566,321	3
Total	**832,788,240**	**100**	**643,950,400**	**100**

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

23. FINANCIAL RISK MANAGEMENT (Continued)

a) Credit risk (continued)

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

	30 June 2016			31 December 2015		
	Factoring receivables	**Other receivables**	**Cash and cash equivalents**	**Factoring receivables**	**Other receivables**	**Cash and cash equivalents**
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	**792,397,493**	**15,167,378**	**1,472,311**	**616,378,272**	**14,371,116**	**637,265**
A) Net carrying value of financial assets which are neither impaired nor overdue	789,705,887	15,167,378	1,472,311	612,916,815	14,371,116	637,265
B) Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	1,500,323	-	-	1,466,222	-	-
C) Net carrying value of financial assets which are overdue but not impaired the net book value the portion covered by any guarantee	-	-	-	-	-	-
D) Net carrying value of impaired assets	1,191,283	-	-	1,995,235	-	-
- Overdue (gross book value)	34,272,871	-	-	31,946,710	-	-
- Impairment (-)	(33,081,588)	-	-	(29,951,475)	-	-
- Covered portion of net book value (with letter of guarantee etc)	-	-	-	-	-	-
- Undue (gross book value)	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc)	-	-	-	-	-	-
E) Off balance sheet items with credit risks	-	-	-	-	-	-

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

23. FINANCIAL RISK MANAGEMENT (Continued)

b) Liquidity risk

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

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

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

30 June 2016	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years
Non-derivative financial liabilities	**745,183,681**	**763,710,508**	**435,761,901**	**294,523,537**	**33,425,070**	**-**	**-**
Loans and borrowings	545,146,692	557,123,692	242,610,949	281,087,673	33,425,070	-	-
Finance lease payables	22,047,604	23,474,005	23,474,005	-	-	-	-
Debt securities issued	176,730,192	181,853,619	168,417,755	13,435,864	-	-	-
Factoring payables	1,259,193	1,259,193	1,259,193	-	-	-	-

31 December 2015	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years
Non-derivative financial liabilities	**564,992,621**	**597,137,038**	**333,555,475**	**193,710,947**	**69,870,616**	**-**	**-**
Loans and borrowings	422,404,570	445,082,630	249,921,311	125,290,703	69,870,616	-	-
Finance lease payables	21,990,161	24,948,001	1,473,996	23,474,005	-	-	-
Debt securities issued	119,167,183	125,675,700	80,729,461	44,946,239	-	-	-
Factoring payables	1,430,707	1,430,707	1,430,707	-	-	-	-

c) Market risk

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

Interest rate risk

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

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

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

23. FINANCIAL RISK MANAGEMENT (Continued)

c) Market risk (Continued)

The tables below summarize average effective interest rates by major currencies for monetary financial instruments as at 30 June 2016 and 31 December 2015:

	30 June 2016			31 December 2015		
	USD (%)	Euro (%)	TL (%)	USD (%)	Euro (%)	TL (%)
Assets						
Factoring receivables	10.79	19.24	21.24	25.19	19.31	22.93
Liabilities						
Loans and borrowings	3.90	3.56	13.68	3.50	3.70	14.33
Debt securities issued	-	-	13.67	-	-	13.37
Finance lease liabilities	-	-	13.40	-	-	13.40

Interest rate profile

As at 30 June 2016 and 31 December 2015, the interest rate profiles of the interest-bearing financial instruments were as follows:

Carrying amount	**30 June 2016**	**31 December 2015**
Fixed rate instruments		
Factoring receivables, net	792,397,493	616,378,272
Finance lease payables	(22,047,604)	(21,990,161)
Loans and borrowings	(311,271,470)	(194,848,605)
Debt securities issued	(136,414,209)	(79,046,795)
Variable rate instruments		
Loans and borrowings	(233,875,222)	(227,555,965)
Debt securities issued	(40,315,983)	(40,120,388)

	30 June 2016					
	Upto 3 months	3 months - 1 year	1 year - 5 years	Over 5 years	Non-interest bearing	Total
Marketable securities issued	74,102,679	102,627,513	-	-	-	176,730,192
Net re-pricing position	**74,102,679**	**102,627,513**	**-**	**-**	**-**	**176,730,192**

	31 December 2015					
	Upto 3 months	3 months - 1 year	1 year - 5 years	Over 5 years	Non-interest bearing	Total
Marketable securities issued	59,751,764	59,415,419	-	-	-	119,167,183
Net re-pricing position	**59,751,764**	**59,415,419**	**-**	**-**	**-**	**119,167,183**

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

23. FINANCIAL RISK MANAGEMENT (Continued)

c) Market risk (Continued)

Fair value sensitivity analysis for fixed rate instruments

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

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates as at 30 June 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**
30 June 2016				
Variable rate instruments	(296,148)	296,148	(296,148)	296,148
31 December 2015				
Variable rate instruments	(433,118)	433,118	(433,118)	433,118

(*) Inluding profit or loss effects.

Foreign currency risk

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

As at 30 June 2016 and 31 December 2015, the currency risk exposures are as follows (TL equivalents):

30 June 2016

	USD	**Euro**	**Total**
Cash and cash equivalents	11,574	2	11,576
Factoring receivables	36,160,371	11,001,960	47,162,331
Loans and borrowings	(34,139,733)	(10,996,639)	(45,136,372)
Net exposure	**2,032,212**	**5,323**	**2,037,535**

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

23. FINANCIAL RISK MANAGEMENT (Continued)

31 December 2015

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

The following significant exchange rates applied during the years ended 30 June 2016 and 31 December 2015:

	Average rate		**Reporting date**	
	30 June 2016	**31 December 2015**	**30 June 2016**	**31 December 2015**
USD	2.9200	2.7188	2.8936	2.9076
Euro	3.2776	3.0181	3.2044	3.1776

Sensitivity analysis

A 10 percent depreciation of the TL against the following currencies at 30 June 2016 and 31 December 2015 would have increased equity and profit or loss by the amounts shown below.

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

30 June 2016	**Equity**	**Profit or loss**
USD	203,221	203,221
Euro	532	532
	203,753	**203,753**

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

A 10 percent strengthening in the TL against the foreign currencies as at 30 June 2016 and 31 December 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.

d) Capital management

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

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

23. FINANCIAL RISK MANAGEMENT (Continued)

Regional

Assets	**30 June 2016**	**31 December 2015**
Turkey	838,630,742	664,681,033
Other	4,508,589	-
Total assets	**843,139,331**	**664,681,033**

Liabilities	**30 June 2016**	**31 December 2015**
Turkey	747,550,480	543,073,415
Europe	95,588,851	121,607,618
Total liabilities	**843,139,331**	**664,681,033**

24. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair Value

As at 30 June 2016 and 31 December 2015, the carrying amounts and fair values of financial instruments are as follows:

	30 June 2016		**31 December 2015**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Cash and cash equivalents	1,491,528	1,491,528	654,625	654,625
Factoring receivables	792,397,493	792,397,493	616,378,272	616,378,272
Financial liabilities				
Borrowings	545,146,692	544,881,909	422,404,570	445,082,631
Finance lease payables	22,047,604	22,047,604	21,990,161	24,948,001
Debt securities issued	176,730,192	176,797,012	119,167,183	125,675,700
Factoring payables	1,259,193	1,259,193	1,430,707	1,430,707

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

24. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (Continued)

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.

30 June 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Financial assets at fair value through profit and loss	113,119	-	-	113,119
Total	**113,119**	-	-	113,119

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

25. COMMITMENTS AND CONTINGENCIES

Commitments and contingent liabilities arising in the ordinary course of business comprised the following items as at 30 June 2016 and 31 December 2015:

	30 June 2016	**31 December 2015**
Collaterals received		
Personal guarantees	4,232,835,530	3,635,425,530
Cheques and notes received as collateral	1,024,687,813	472,108,245
	5,257,523,343	**4,107,533,775**

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

25. COMMITMENTS AND CONTINGENCIES (Continued)

	30 June 2016	31 December 2015
Letters of guarantee		
Given to banks	46,120,341	20,290,760
	46,120,341	**20,290,760**

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

	30 June 2016	31 December 2015
Customer cheques	825,078,065	618,924,081
Customer notes	49,474,187	49,989,452
	874,552,252	**668,913,533**

26. RELATED PARTY DISCLOSURES

As at 30 June 2016, 31 December 2015 and 30 June 2015, related party balances are as follows:

	30 June 2016	31 December 2015
Borrowings		
Credit Suisse AG London Branch	95,588,851	121,607,618
	95,588,851	**121,607,618**

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

	30 June 2016	30 June 2015
Interest expense		
Credit Suisse AG London Branch	9,119,165	12,587,413
	9,119,165	**12,587,413**

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 30 June 2016 was amounting to TL 3,372,501 (30 June 2015: TL 3,180,191).

27. SUBSEQUENT EVENTS

(i) On 1 July 2016, the bill, which the Company has issued to qualified investors on 7 January 2016, has ISIN Code of "TRFLDFK71618" and nominal value of TL 40,000,000 has expired.

(ii) On 5 August 2016, the bill, which the Company has issued to qualified investors on 8 February 2016, has ISIN Code of "TRFLDFK81617" and nominal value of TL 15,000,000 has expired.

(iii) On 20 September 2016, the bill, which the Company has issued to qualified investors on 29 March 2016, has ISIN Code of "TRFLDFK91624" and nominal value of TL 20,000,000 has expired.

(iv) On 1 July 2016, the Company has issued a bill which has ISIN Code of "TRFLDFK11713" and nominal value of TL 20,000,000 to qualified investors. The maturity date of the related bill is 3 January 2017.

(v) On 5 August 2016, the Company has issued a bill which has ISIN Code of "TRFLDFK11721" and nominal value of TL 15,000,000 to qualified investors. The maturity date of the related bill is 27 January 2017.

(vi) On 20 September 2016, the Company has issued a bill which has ISIN Code of "TRFLDFK31711" and nominal value of TL 30,000,000 to qualified investors. The maturity date of the related bill is 17 March 2017.

(vii) Upon the Company's Board of Directors decision No. 28, dated 15 July 2016, it has been decided to acquire 4,998,000 shares of Destek Varlık Yönetim A.Ş., which has a paid capital of TL 10,000,000 and is completely owned by Deniz Yatırım Menkul Değerler A.Ş., from Deniz Yatırım Menkul Değerler A.Ş. with a total amount of TL 6,157,536 and at TL 1,232 per share. The Company is going to pay the full acquisition amount upon the completion of the legal permissions which will be obtained from the BRSA and other authorized bodies.

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