LİDER FAKTORİNG A.Ş.

Consolidated Financial Statements
As at and For the Interim Period Ended
30 June 2018
With Independent Auditors'
Review Report Thereon

11 October 2018

This report includes 2 pages of independent auditors' report on review of consolidated interim financial statements and 55 pages of financial statements and notes to the financial statements.

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Independent Auditors' Report on Review of Consolidated Interim Financial Information

To the Board of Directors of Lider Faktoring Anonim Şirketi,

Introduction

We have reviewed the accompanying consolidated statement of financial position of Lider Faktoring Anonim Şirketi and its subsidiary (the "Group") as at 30 June 2018, the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six - month period then ended, and notes to the consolidated interim financial information. Management is responsible for the preparation and fair presentation of this consolidated interim financial information in accordance with IAS 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this consolidated interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, *"Review of Interim Financial Information Performed by the Independent Auditor of the Entity"*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.,
a Turkish corporation and a member firm of the KPMG network of independent
member firms affiliated with KPMG International Cooperative, a Swiss entity.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information does not present fairly, in all material respects, the financial position of the Group as at 30 June 2018 and of its financial performance and its cash flows for the six - month period then in accordance with IAS 34 Interim Financial Reporting.

Other matters

The consolidated financial statements of the Company as at and for the year ended 31 December 2017 and as at and for the six-month period ended 30 June 2017 were audited and reviewed by another auditor who expressed an unmodified opinion/conclusion on those statements on 16 March 2018 and 11 August 2017, respectively.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member firm KPMG International Cooperative

Orhan Akova, SMMM
Partner

11 October 2018
Istanbul, Turkey

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LİDER FAKTORİNG A.Ş.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018

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

	Notes	Reviewed 30 June 2018	Audited 31 December 2017[*]
ASSETS			
Cash and cash equivalents	9	5,207	8,618
Factoring receivables	10	1,371,748	1,107,961
Purchased or originated credit impaired assets	11	124,499	121,807
Property and equipment, net	12	52,873	38,426
Intangible assets	13	624	558
Deferred tax assets	8	6,698	6,398
Assets held for sale	15	620	347
Other assets and prepaid expenses	14	1,377	13,335
Total assets		**1,563,646**	**1,297,450**
LIABILITIES			
Borrowings	16	1,007,106	868,226
Debt securities issued	17	392,470	284,270
Factoring payables	10	1,748	1,686
Income taxes payable	8	2,703	1,800
Deferred tax liabilities	8	340	540
Other liabilities	18	4,135	3,478
Provisions for employee benefits	19	5,198	4,701
Total liabilities		**1,413,700**	**1,164,701**
EQUITY			
Share capital	20	35,874	35,874
Revaluation surplus, net of tax	20	33,447	33,447
Re-measurement of employment termination benefits, net of tax		(1,173)	(991)
Legal reserves	20	10,949	9,773
Retained earnings		70,849	54,646
Total equity attributable to equity holders of the Company		**149,946**	**132,749**
Non-controlling interests		-	-
Total equity		**149,946**	**132,749**
Total liabilities and equity		**1,563,646**	**1,297,450**

[*] In accordance with the transition requirements of IFRS 9, the prior period financial statements and notes are not restated.

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

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

	Notes	Reviewed 1 January - 30 June 2018	Reviewed 1 January - 30 June 2017(*)
Interest income			
Interest income on factoring receivables		132,032	81,489
Interest income from banks and reverse repurchases		50	118
Total interest income		**132,082**	**81,607**
Interest expense			
Interest expense on borrowings (-)		(76,083)	(50,668)
Interest expense on debt securities issued (-)		(29,875)	(13,348)
Total interest expense		**(105,958)**	**(64,016)**
Net interest income		**26,124**	**17,591**
Fee and commission income on factoring transactions		4,119	3,676
Fee and commission expense on banking transactions (-)		(2,173)	(1,250)
Fee and commission income, net		**1,946**	**2,426**
Income from purchased or originated credit impaired assets, net	11	23,785	12,243
Provision for impairment of factoring receivables (-)	10	(1,105)	(406)
Recoveries from impaired factoring receivables	10	815	1,513
Personnel expenses (-)	7	(16,897)	(14,153)
Operating expenses (-)	6	(9,218)	(5,842)
Other operating income/(expenses), net		(2,460)	561
Profit before income tax		**22,990**	**13,933**
Income tax expense (-)	8	(5,167)	(2,603)
Profit for the period		**17,823**	**11,330**
Attributable to			
Equity holders of the Company	21	17,823	10,939
Non-controlling interests		-	391
Earnings per share			
Earnings per share (TL)	21	0.59	0.38
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss:			
Re-measurement of post-employment benefits obligation, net of tax	19	(182)	(174)
Other comprehensive income		**(182)**	**(174)**
Total comprehensive income		**17,641**	**11,156**

(*) In accordance with the transition requirements of IFRS 9, the prior period financial statements and notes are not restated.

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

LİDER FAKTORİNG A.Ş.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

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

	Attributable to equity holders of the Company							
	Share capital	**Inflationary effect on share capital**	**Revaluation funds, net of tax [*]**	**Actuarial gains, net of tax**	**Legal reserves**	**Retained earnings**	**Non-controlling interests**	**Total equity**
Balances at 1 January 2017	**30,000**	**5,874**	**28,835**	**(776)**	**8,698**	**33,681**	**6,058**	**112,370**
Transfer to legal reserves	-	-	-	-	1,074	(1,074)	-	-
Total comprehensive income	-	-	-	(159)	-	10,939	376	11,156
Balances at 30 June 2017[*]	**30,000**	**5,874**	**28,835**	**(935)**	**9,772**	**43,546**	**6,434**	**123,526**
Balances at 1 January 2018	**30,000**	**5,874**	**33,447**	**(991)**	**9,773**	**54,646**	**-**	**132,749**
Adjustments to change in accounting policies	-	-	-	-	-	(444)	-	(444)
Transfer to legal reserves	-	-	-	-	1,176	(1,176)	-	-
Total comprehensive income	-	-	-	(182)	-	17,823	-	17,641
- Profit for the year	-	-	-	-	-	*17,823*	-	*17,823*
- Other comprehensive income	-	-	-	*(182)*	-	-	-	*(182)*
Balances at 30 June 2018	**30,000**	**5,874**	**33,447**	**(1,173)**	**10,949**	**70,849**	**-**	**149,946**

[*] In accordance with the transition requirements of IFRS 9, the prior period financial statements and notes are not restated.

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE INTERIM PERIOD ENDED 30 JUNE 2018

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

	Notes	Reviewed 1 January - 30 June 2018	Reviewed 1 January - 30 June 2017(*)
Net profit for the period		**17,823**	**11,330**
Adjustments for:			
Depreciation and amortization	12, 13	337	221
Provision for employee severance payments	7	521	452
Provision/reversal for unused vacation	19	(115)	317
Net interest income		(26,124)	(31,353)
Income tax expense	8	5,167	2,603
Provision for doubtful receivables	10	1,105	406
Bonus provision	19	230	-
Income from purchased or originated credit impaired assets	11	(23,785)	(12,243)
Provision for purchased or originated credit impaired assets	11	4,090	1,519
Changes in operating assets and liabilities			
Change in factoring receivables and purchased or originated credit impaired assets		(397,340)	(62,132)
Interest received		132,031	94,915
Collection from purchased or originated credit impaired assets	11	24,770	14,714
Change in other assets		(865)	524
Change in factoring payables		62	216
Change in other liabilities		(13)	(45)
Employee severance paid (-)	19	(95)	(249)
Income taxes paid (-)		(4,464)	(3,631)
Purchase of purchased or originated credit impaired assets	11	(7,350)	(8,152)
Net cash used in operating activities (-)		**(274,015)**	**9,412**
Investing activities:			
Purchase of property and equipment and intangible assets (-)	12, 13	(2,600)	(1,206)
Net cash used in investing activities (-)		**(2,600)**	**(1,206)**
Financing activities:			
Interest paid (-)		(84,420)	(64,016)
Net cash flow provided from borrowings and debt securities issued		357,624	50,440
Net cash provided from financing activities		**273,204**	**(13,576)**
Net increase in cash and cash equivalents		**(3,411)**	**(5,370)**
Cash and cash equivalents at 1 January	9	8,618	8,433
Cash and cash equivalents at 30 June	**9**	**5,207**	**3,063**

(*) In accordance with the transition requirements of IFRS 9, the prior period financial statements and notes are not restated.

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

1 - GENERAL INFORMATION

Lider Faktoring A.Ş. was incorporated on 24 September 1992 in Turkey to provide factoring services to industrial and commercial firms under the name "Şetat Faktoring A.Ş.". The name of Şetat Faktoring A.Ş. was changed to Lider Faktoring Hizmetleri A.Ş. 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 "Company"). The change of the legal name was registered with Turkish Trade Registry Gazette on 10 July 2013.

One of the existing shareholders sold 15% of the Company's shares in an initial public offering held in 2014 and the shares started floating on Istanbul Stock Exchange ("ISE") at 19 June 2014. As at 30 June 2018 the shares are traded in regular market.

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

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

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

The Company became a controlling shareholder by purchasing shares equal to a TL 4,998 nominal value, which constitutes 49.98% of the TL 10,000 nominal value shares of Destek Varlık Yönetim A.Ş. ("Destek Varlık", "subsidiary") on 29 December 2016. In accordance with the Board of Directors' decision of the Company dated 21 July 2017, the Company acquired the remaining %50.02 shares of Destek Varlık and the transfer of the shares were completed on 9 October 2017 following the required official institutions' approvals. Upon the recent share purchase the Company became 100 % shareholder of Destek Varlık.

Destek Varlık was established on 8 May 2013 and the decision regarding establishment was promulgated in Turkish Trade Registry Gazette No. 8319 on 14 May 2013. Destek Varlık, which got its official authorization within the framework of sub-paragraph (4) of Article 6 of the Regulation on Principles for the Establishment and Operations of Asset Management Companies and Article 143 of Banking Law No. 5411 and Banking Regulation and Supervision Agency's decision No. 5616 dated 5 December 2013, started operating on 11 December 2013.

In terms of consolidated financial statements, Lider Faktoring A.Ş. and its consolidated subsidiary, Destek Varlık, were jointly described as the "Group". The Group has 193 employees as at 30 June 2018 (31 December 2017: 182). The Group is controlled by the real persons according to the share ratio in the equity as presented in Note 20.

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

2 - BASIS OF PREPARATION

The principal accounting policies adapted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS).

The Company and its subsidiary which are incorporated in Turkey maintain its books of account and prepare their statutory financial statements in accordance with the regulations on accounting and reporting framework and accounting standards which are determined by the provisions of Turkish Banking Law and accounting standards promulgated by the other relevant laws and regulations. Functional currency of the Group is the Turkish Lira ("TL"), being the currency of economic environment in which the Group operates. The consolidated financial statements have been prepared in accordance with IFRS and presented in TL. For the purpose of fair presentation in accordance with IFRS, certain adjustments and reclassifications have been made to the statutory financial statements.

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a currently enforceable legal 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.

The Group prepared its consolidated financial statements on a going concern basis.

(b) Basis of measurement

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

The methods used to measure fair values are discussed further in Note 5.

(c) Use of estimates and judgements

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

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

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2017 is included in the following notes:

Impairment of factoring receivables

The measurement of impairment losses under IFRS 9 across all categories of financial assets requires judgement, in particular, the estimation of the amount and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors, changes in which can result in different levels of allowances. The Company's ECL calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

2 - BASIS OF PREPARATION (Continued)

Determination of net present value of purchased or originated credit impaired assets

The Group uses the following critical assumptions in calculation of net present value of the purchased or originated credit impaired assets.

The Group estimates future cash flows for its purchased or originated credit impaired assets for further periods after purchasing loan portfolios by taking into consideration of its market experience, contents of portfolios and market conditions. Other issues due to condition of the market participants are also included in projections. As the Group purchases the purchased or originated credit impaired assets at a deep discount, it reflects incurred losses in cash flow estimations when computing the effective interest rate. Accordingly, the effective interest rate of the purchased or originated credit impaired assets become the discount rate that equates the present value of the expected cash flows with the purchase price of the loan. Therefore, the Group estimates the credit adjusted effective interest rates when computing the net present value of purchased or originated credit impaired assets. The Group has estimated a total of TL 202,465 undiscounted purchased or originated credit impaired assets for the period between 2018-2024 (31 December 2017: TL 200,150). The discounted carrying values of the related future cash flows equal to TL 124,499 and TL 121,807 as at 30 June 2018 and 31 December 2017, respectively. Further details regarding to the Group's accounting policies and assumptions regarding to the purchased or originated credit impaired assets are explained in Note 3 (i) and in Note 11.

(d) Comparative information and correction of prior period consolidated financial statements

Consolidated financial statements of the Group have been prepared comparatively with the prior period. In order to maintain consistency with current year consolidated financial statements, comparative information is reclassed and significant changes are disclosed if necessary, except for the adaptation of IFRS 9 as detailed below.

The Group have not restated comparative information for 2017 for financial instruments in the scope of IFRS 9 and the total difference arising from the adoption of IFRS 9 has been recognised directly in prior periods' profit or loss as at 1 January 2018 in the current period's statement of changes in shareholders' equity.

Reclassifications in 2017 financial statements

Change in factoring receivables and purchased or originated credit impaired assets amounting to TL 5,681 has been reclassified to income from purchased or originated credit impaired assets, collection from purchased or originated credit impaired assets and purchase of purchased or originated credit impaired assets respectively amounting to TL (12,243), TL 14,714, TL (8,152) in order to present comparatively in the statement of cash flows for the interim period ended 30 June 2017.

(e) Accounting in hyperinflationary economies

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

(f) Segment reporting

The Group provides services in the factoring and debt management of purchased or originated credit impaired assets portfolios fields in Turkey as at 30 June 2018.

As at 30 June 2018, segment reporting is prepared based on factoring and debt management of purchased or originated credit impaired assets services. The debt management of purchased or originated credit impaired assets service's impact on the Group's operating results for the period ending 30 June 2018 is represented in Note 4.

2 - BASIS OF PREPARATION (Continued)

(g) Standards and interpretations issued but not yet effective

Standards issued but not yet effective and not early adopted

New standards, interpretations and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, after the new standards and interpretations become in effect.

IFRS 16 Leases

On 13 January 2016, IASB issued the new leasing standard which will replace IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC 15 Operating Leases – Incentives, and SIC 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease and consequently changes to IAS 40 *Investment Properties*. IFRS 16 *Leases* eliminates the current dual accounting model for lessees, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases. Instead, there is a single, on-balance sheet accounting model that is similar to current finance lease accounting. Lessor accounting remains similar to current practice. IFRS 16 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted provided that an entity also adopts IFRS 15 Revenue from Contracts with Customers. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 16.

IFRIC 23 –Uncertainty over Income Tax Treatments

On 17 June 2017, IASB issued IFRIC 23 Uncertainty over Income Tax Treatments to specify how to reflect uncertainty in accounting for income taxes. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes. IFRIC 23 is effective from 1 January 2019, with earlier application is permitted. The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRIC 23.

IFRS 17 –Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2021 but companies can apply it earlier.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of IFRS 17.

2 - BASIS OF PREPARATION (Continued)

(g) Standards and interpretations issued but not yet effective (Continued)

Standards issued but not yet effective and not early adopted (Continued)

The revised Conceptual Framework

The revised Conceptual Framework issued on 28 March 2018 by the IASB. The Conceptual Framework sets out the fundamental concepts for financial reporting that guide the Board in developing IFRS Standards. It helps to ensure that the Standards are conceptually consistent and that similar transactions are treated the same way, so as to provide useful information for investors, lenders and other creditors. The Conceptual Framework also assists companies in developing accounting policies when no IFRS Standard applies to a particular transaction, and more broadly, helps stakeholders to understand and interpret the Standards. The revised Framework is more comprehensive than the old one – its aim is to provide the Board with the full set of tools for standard setting. It covers all aspects of standard setting from the objective of financial reporting, to presentation and disclosures. For companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020, with earlier application permitted.

Annual Improvements to IFRSs 2015-2017 Cycle

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs - 2015–2017 Cycle for applicable standards. The amendments are effective as of 1 January 2019. Earlier application is permitted. The Group does not expect that application of these improvements to IFRSs will have significant impact on its consolidated financial statements.

IFRS 3 Business Combinations and *IFRS 11 Joint Arrangements*

IFRS 3 and IFRS 11 are amended to clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value. If a party maintains (or obtains) joint control, then the previously held interest is not remeasured.

IAS 12 Income Taxes

IAS 12 is amended to clarify that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognised consistently with the transactions that generated the distributable profits – i.e. in profit or loss, other comprehensive income (OCI) or equity.

IAS 23 Borrowing Costs

IAS 23 is amended to clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale – or any non-qualifying assets – are included in that general pool.

2 - BASIS OF PREPARATION (Continued)

(g) Standards and interpretations issued but not yet effective (Continued)

Standards issued but not yet effective and not early adopted (Continued)

Amendments to IAS 28- Long-term Interests in Associates and Joint Ventures

On 12 October 2017, IASB has issued amendments to IAS 28 to clarify that entities also apply IFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests that, in substance, form part of the entity's net investment in an associate or joint venture. An entity applies IFRS 9 to such long-term interests before it applies related paragraphs of IAS 28. In applying IFRS 9, the entity does not take account of any adjustments to the carrying amount of long-term interests that arise from applying IAS 28. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 28.

Amendments to IFRS 9 - Prepayment Features With Negative Compensation

On 12 October 2017, IASB has issued amendments to IFRS 9 to clarify that financial assets containing prepayment features with negative compensation can now be measured at amortised cost or at fair value through other comprehensive income (FVOCI) if they meet the other relevant requirements of IFRS 9. Under IFRS 9, a prepayment option in a financial asset meets this criterion if the prepayment amount substantially represents unpaid amounts of principal and interest, which may include 'reasonable additional compensation' for early termination of the contract. The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IFRS 9.

Amendments to IAS 19 - Plan Amendment, Curtailment or Settlement

On 7 February 2018, IASB issued Plan Amendment, Curtailment or Settlement (Amendments to IAS 19). The amendments clarify the accounting when a plan amendment, curtailment or settlement occurs. A company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income (OCI). The amendments are effective for periods beginning on or after 1 January 2019, with earlier application permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of the amendments to IAS 19.

3 - SIGNIFICANT ACCOUNTING POLICIES

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

(a) Consolidation principles

Subsidiary

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

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

The table below shows the ratio of shares of subsidiary of the Company as at 30 June 2018 and 31 December 2017:

Legal entity Non-listed in stock exchange:	Service line	Location	Share (%)	Net book value 30 June 2018	 31 December 2017
Destek Varlık Yönetim A.Ş. (*)	Purchased or originated credit impaired assets management	Istanbul	100	22,743	22,743
Total				**22,743**	**22,743**

(*) Destek Varlık's 4,998,000 shares worth TL 6,158 were transferred to the Company through sale on 29 December 2016. In accordance with Board of Directors' decision dated 15 July 2016 and numbered 28, 4,998,000 nominal shares of Destek Varlık, which had a paid capital of 10,000 all of which belongs to Deniz Yatırım Menkul Değerler A.Ş., are purchased from Deniz Yatırım Menkul Değerler A.Ş. at TL 0.001232 per share, amounting TL 6,158. At the Board of Directors' meeting dated 21 July 2017, it has been decided to purchase all of the remaining 50% shares of Destek Varlık. with a total amount of TL 7,118. The transfer of the shares was completed on 9 October 2017 following the necessary approvals from related official institutions.

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

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

Changes in a parent's ownership interest after control is obtained, that do not result in a change in control of the subsidiary, are accounted for as equity transactions. Shareholders perform these transactions with other shareholders. Thus, as the Company maintains control, it did not recognize gain or loss in the consolidated statement of profit or loss and other comprehensive income on purchasing the subsidiary's share. The difference between the net book value of the acquired assets of the subsidiary and the fair value of the paid amount to acquire these assets has been recognized in the consolidated statement of changes in equity. Non-controlling interests and profit or loss as a result of sales are recognized in statement of changes in equity. As at 31 December 2017, the Group accounted TL 532 due to the aforementioned transaction with other shareholders in its consolidated statement of changes in equity.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Foreign currency transactions

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

(c) Financial instruments

First time adoption of IFRS 9 "Financial instruments" standard

The Group has adopted IFRS 9 Financial Instruments issued in July 2014 with a date of initial application of 1 January 2018. The requirements of IFRS 9 represent a significant change from IAS 39 Financial Instruments: Recognition and Measurement. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities.

The Group have not restated comparative information for 2017 for financial instruments in the scope of IFRS 9. Therefore, the comparative information for 2017 is reported under IAS 39 and is not comparable to the information presented for 2018. Differences arising from the adoption of IFRS 9 have been recognised directly in equity as at 1 January 2018.

The following table summarizes the impact of transition to IFRS 9, net of tax, on the retained earnings as at 1 January 2018:

	Impact of adopting IFRS 9 before tax	Tax impact of adopting IFRS 9	Total impact of adopting IFRS 9
Retained earnings			
Recognition of expected credit losses under IFRS 9	(550)	106	(444)
Impact at 1 January 2018			**(444)**

IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale.

The accounting for financial liabilities remains largely the same as it was under IAS 39, except for the treatment of gains or losses arising from an entity's own credit risk relating to liabilities designated at fair value through profit or loss (with the condition of not impacting accounting mismatch significantly).

The Group measures its financial assets at amortized cost. The financial assets at amortized cost consist of factoring receivables, purchased or originated credit impaired assets, and cash and cash equivalents. The classification is based on the characteristics of the contractual cash flows of the entity and the business model used by the entity for the management of the financial assets. The Group classifies its financial assets at the time of purchase.

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) Financial instruments (Continued)

Classification and measurement (Continued)

	Classification according to IAS 39	Carrying amount according to IAS 39	IFRS 9 classification effect	IFRS 9 valuation effect	Carrying amount according to IFRS 9	Reclassification according to IFRS 9
		31 December 2017			1 January 2018	
Financial assets						
Cash and cash equivalents	Loans and receivables	8,618	-	-	8,618	Amortized cost
Factoring receivables	Loans and receivables	1,107,961	-	(528)	1,107,433	Amortized cost
purchased or originated credit impaired assets	Loans and receivables	121,807	-	(22)	121,785	Amortized cost
Total financial assets		**1,238,386**		**(550)**	**1,237,836**	

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest method, less any impairment losses. Loans and receivables comprise of factoring receivables, purchased or originated credit impaired assets, and cash and cash equivalents.

(d) Impairment of financial assets

IFRS 9 replaces the "incurred loss" model in IAS 39 with an "expected credit loss" (ECL) model. In this context, it has been necessary to evaluate how the economic factors that will be determined by weighting according to the probabilities of realization affect the ECLs. The new impairment model is applied to financial assets at fair value through other comprehensive income or measured at amortized cost (other than investments in equity instruments) and contract assets. The financial assets at amortized cost consist of factoring receivables, purchased or originated credit impaired assets, and cash and cash equivalents.

Calculation of expected credit losses

Expected credit losses is calculated based on a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due based on the contract and the cash flows that are expected to be received.

Probability of Default (PD): PD refers to the likelihood that a loan will default, which is usually set at 12 months, given certain characteristics:

- 12-month PD: as the estimated probability of default occurring within the next 12 months.
- Lifetime PD: as the estimated probability of default occurring over the remaining life of the financial instrument.

Factoring receivables are grouped based on internal risk assessment. The grouping of factoring receivables include customer financial information and other qualitative factors. Probability of default calculation has been carried out based on past information, current conditions and forward looking macroeconomic parameters.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Impairment of financial assets (Continued)

Calculation of expected credit losses (Continued)

Loss Given Default (LGD): If a loan default occurs, it represents the economic loss incurred on the loan. It is expressed as a percentage.

LGD calculations are performed using historical data which best reflects current conditions. LGD summarizes all cash flows from customers subsequent to default. It covers all costs and collections that occur during the collection cycle, including collections from collaterals. It also includes the "time value of money" calculated by means of deducting costs and additional losses from the present value of collections.

Exposure at Default (EAD): For factoring receivables, it corresponds to the amount of factoring receivable granted as of the reporting date. The Group does not have non-cash factoring receivables and commitments.

Under IFRS 9, loss allowances are measured on either of the following bases:

• 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and

• Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if there is a qualitative indicator like restructuring. The Group does not use 30 days past due criteria. The Group considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).
- The borrower is past due more than 1 day.

Stage 1: 12-month expected credit loss represents the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date and calculated as the portion of lifetime expected credit losses. 12-month expected credit loss is calculated based on a probability of default realized within 12 months after the reporting date. Such expected 12-month probability of default is applied on an expected exposure at default, multiplied with loss given default rate and discounted with the original effective interest rate.

Stage 2: When there is a significant increase in credit risk since origination, lifetime expected credit losses is calculated. Including multiple scenario usage, probability of default and loss given default rates are estimated through the life of the instrument. Estimated cash shortfalls are discounted by using the original effective interest rate.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Impairment of financial assets (Continued)

Calculation of expected credit losses (Continued)

Stage 3: Lifetime expected credit losses are recognised for the impaired factoring receivables. The methodology is similar to stage 2 and the probability of default and loss given default are taken into account as 100%.

Purchased or originated credit impaired assets: Purchased or originated credit impaired assets are financial assets that are credit impaired on initial recognition. The Group recognizes the cumulative changes in lifetime ECLs since initial recognition, based on a probability of weighting of the scenarios, discounted by the credit-adjusted EIR.

Incorporation of forward looking information

The Group incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL.

The Group has included macroeconomic variables in its ECL calculation by taken into account non-performing loan forecasts for the following 2 years.

Impact of the new impairment model

As at 1 January 2018, the effect of impairment allowance under IFRS 9 is as follows:

Loss allowance as at 31 December 2017 under IAS 39	**33,326**
Additional impairment recognized at 1 January 2018 on:	
- Factoring receivables	528
- Purchased or originated credit impaired assets	22
Loss allowance as at 1 January 2018 under IFRS 9	**33,876**

(d) Share capital

Ordinary shares

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

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Property and equipment

(i) Recognition and measurement

Items of property and equipment, except for buildings, acquired before 1 January 2006 are measured at restated cost 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 statement of profit or loss and other comprehensive income. A revaluation deficit is recognized in statement of profit or loss, except to the extent that it offsets an existing surplus on the same asset recognized in the revaluation surplus.

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 statement of profit or loss.

(ii) Subsequent expenditure

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

(iii) Depreciation

Property and equipment are depreciated over the estimated useful lives of the related assets from the date of acquisition or the date of installation, on a straight-line basis.

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 leasehold improvements.

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)

(f) Intangible assets

Other intangible assets

Intangible assets includes computer software licenses and rights. Intangible assets are recognized at acquisition cost and amortized by the straight-line method over their estimated useful lives after their acquisition date. Intangible assets are amortized on a straight-line basis over their estimated useful lives for a period between 3-5 years from the date of acquisition.

(g) Leases

(i) Determining whether an arrangement contains a lease

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

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

(ii) Leased assets

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

(iii) Lease payments

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

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(h) Purchased or originated credit impaired assets and allowances

The Group recorded the portfolios it purchased and the purchase prices for paying single credits under receivables in its consolidated statement of financial position. Then, the Group tracked them after recognizing them based on debts.

Purchased or originated credit impaired assets, are purchased from different established banks in Turkey and other financial institutions constitute the Group's purchased or originated credit impaired assets that are tracked. Purchased or originated credit impaired assets are considered credit-impaired at initial recognition because the credit risk is very high and, in the case of a purchase, they are acquired at a deep discount. For such loans, the Group includes the initial expected credit losses in the estimated cash flows when calculating the credit-adjusted effective interest rate. Accordingly, the effective interest rate of a purchased credit-impaired loan is the discount rate that equates the present value of the expected cash flows which is less than the contractual cash flows specified in the loan agreement, with the purchase price of the loan. The Group calculates and records the net present value of expected collection projections of credit impaired assets by using credit- adjusted effective interest rate. Positive differences between the net present value of estimated collection projections of the loan portfolio and the book values are recorded as income under "Income from purchased or originated credit impaired assets" and negative differences are recorded under "Other operating income/(expenses)".

Impairment of non-financial assets

(ii) Non-financial assets

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

The recoverable amount of an asset 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.

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

Impairment losses are recognized in statement of profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the asset, and then to reduce the carrying amounts of the other assets.

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.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Employee benefits

(i) Reserve for employee severance payments

In accordance with the existing social legislation in Turkey, the Group is required to make certain lump-sum severance indemnity to each employee who has completed one year of service with the Group and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In the accompanying consolidated financial statements, the provision for employee severance indemnity has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees.

(ii) Short-term employee benefits

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

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

(j) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable (i.e. more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is material, 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, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

(k) Related parties

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

(l) Revenue and cost recognition

(i) Factoring interest and commission income

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

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Revenue and cost recognition (Continued)

(ii) Commission expense

Commission charges are recognized on the accrual basis.

(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 and accounted at amortised cost.

(v) Interest expense on bank borrowings and debt securities

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

(m) Income tax

(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.

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.

The Group is subject to Turkish taxation legislation. Where there are matters causing the final tax outcome to be different from the amounts initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(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.

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(m) Income tax (Continued)

(ii) Deferred tax (Continued)

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.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that, in the management's judgment, it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

(n) Assets held for sale

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

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(o) Events after the reporting period

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

(p) Accounting policies applied before 1 January 2018

The Group's financial instruments are all non-derivative instruments. The Group has the following non-derivative financial assets: receivables from purchased or originated credit impaired assets, cash and cash equivalents and factoring receivables.

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

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

The Group recognizes a financial asset or financial liability in the statement of financial position only when it becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) when the rights to receive cash flows from the asset have expired; or while retaining the right to receive cash flows from the asset the Group has also assumed an obligation to pay them in full without material delay to a third party; or the Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has transferred the control of the asset.

The Group does not have any assets where the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset that is recognized to the extent of the Group's continuing involvement in the asset.

The Group derecognizes a financial liability when the obligation under the liability is discharged or cancelled or expires.

When an existing liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Amortized cost measurement

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

3 - SIGNIFICANT ACCOUNTING POLICIES (Continued)

(q) Accounting policies applied before 1 January 2018 (Continued)

(ii) Non-derivative financial assets - measurement

Cash and cash equivalents

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

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

Factoring receivables

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

(iii) Non-derivative financial liabilities - measurement

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

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

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

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

Borrowings, debt securities issued and finance lease payables

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

4 – SEGMENT INFORMATION

The Group provides services in the factoring and debt management of purchased or originated credit impaired assets portfolios fields in Turkey as at 30 June 2018 and 31 December 2017.

30 June 2018	**Factoring operations**	**Purchased or originated credit impaired assets management**	**Elimination**	**Total**
Operating segment assets	1,464,577	126,581	(27,512)	1,563,646
Operating segment liabilities	1,314,621	99,079		1,413,700
Interest income	132,032	50	-	132,082
Interest expenses (-)	(97,658)	(8,300)	-	(105,958)
Fee and commission income/(expenses),net	1,946	-	-	1,946
Income from purchased or originated credit impaired assets	-	23,785	-	23,785
Provision for factoring receivables (-)	(1,105)	-	-	(1,105)
Recoveries from factoring receivables	815	-	-	815
Personnel expenses (-)	(13,630)	(3,267)	-	(16,897)
Operating expenses (-)	(2,103)	(7,115)	-	(9,218)
Other operating income/(expenses), net	1,140	(3,600)	-	(2,460)
Taxation (-)	(4,396)	(771)	-	(5,167)

31 December 2017	**Factoring operations**	**Purchased or originated credit impaired assets management**	**Elimination**	**Total**
Operating segment assets	1,196,617	123,786	(22,953)	1,297,450
Operating segment liabilities	1,065,960	98,951	(210)	1,164,701
Operating income(*)	85,165	-	-	85,165
Operating expenses (-)(*)	(15,554)	(4,462)	-	(20,216)
Financial expenses (-)(*)	(58,518)	(6,748)	-	(65,266)
Provision for factoring receivables (-)(*)	(406)	-		(406)
Other operating income/(expenses), net(*)	2,266	12,390	-	14,656
Taxation (-)(*)	10,549	781	-	11,330

(*) Related figures represent the balances for the interim period ended on 30 June 2017.

5 - DETERMINATION OF FAIR VALUES

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists. The Group does not measure its financial assets and liabilities at fair value in its consolidated financial statements.

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

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

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.

The fair value of other certain financial assets, including cash at banks, factoring receivables, borrowings, debt securities issued and factoring payables are considered to approximate their respective carrying values due to their short-term nature.

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

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

	30 June 2018		31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	5,207	5,207	8,618	8,618
Factoring receivables	1,371,748	1,371,748	1,107,961	1,107,961
purchased or originated credit impaired assets	124,499	124,499	121,807	121,807
Other receivables	1,377	1,377	13,335	13,335
Financial liabilities				
Borrowings	1,007,106	1,006,234	868,226	868,226
Debt securities issued	392,470	392,470	284,270	284,270
Factoring payables	1,748	1,748	1,686	1,686

6 - OPERATING EXPENSES

For the interim periods ended 30 June 2018 and 30 June 2017, operating expenses comprised the following:

	1 January - 30 June 2018	1 January - 30 June 2017
Legal and court expenses	3,326	1,566
Rent expenses	1,359	1,091
Consultancy expenses	785	376
Communication expenses	567	650
Outsourced benefits and services	458	-
Subscription expenses	378	148
Depreciation and amortization	337	221
Office supplies expenses	331	221
Travelling expenses	261	175
Taxes and duties other than on income	173	119
Maintenance and repair expenses	150	549
Information technologies expenses	137	288
Advertising expenses	4	1
Others	952	437
	9,218	**5,842**

7 - PERSONNEL EXPENSES

For the interim periods ended 30 June 2018 and 30 June 2017, personnel expenses comprised the following:

	1 January - 30 June 2018	1 January - 30 June 2017
Salary expenses	9,636	9,130
Benefits paid to key management	5,058	3,060
Social security premium expenses	1,109	1,038
Meal expenses	573	452
Employee termination indemnity	521	473
	16,897	**14,153**

8 - TAXATION

According to the provisional Article 10 of the Law No. 7061 of 5 December 2017, numbered 30261, "Amendments to Certain Tax Laws and Some Other Laws" and the Law No. 5520 on Corporate Income Tax Law, it is foreseen that the corporation tax that should be paid over the profits of the tax years 2018, 2019 and 2020 will be calculated as 22% and the tax will be continued with 20%. During this period, the Council of Ministers was given the authority to reduce the rate of 22% to 20%. Therefore, deferred tax assets and liabilities are measured at the tax rate of 22% that are expected to apply to these periods when the assets is realised or the liability is settled, based on the Law that have been enacted.

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.

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

	1 January - 30 June 2018	1 January - 30 June 2017
Current period tax expense		
Income tax expense (-)	(5,515)	(2,808)
Deferred tax income	348	205
Total tax expense (-)	**(5,167)**	**(2,603)**

8 - TAXATION (Continued)

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

	1 January - 30 June 2018	1 January - 30 June 2017
Profit before income taxes	**22,990**	**13,933**
Theoretical tax charge at the applicable tax rate 22% (2017:20%)	(5,058)	(2,787)
Tax effect of items which are not deductible or assessable for taxation purposes (-)	(109)	(13)
Income exempt from taxation	-	197
Total tax expense (-)	**(5,167)**	**(2,603)**

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

The current tax liabilities as at 30 June 2018 and 31 December 2017 comprised the following:

	30 June 2018	31 December 2017
Taxes on income (-)	5,515	5,966
Less: Corporation taxes paid in advance	(2,812)	(4,166)
Current tax liabilities	**2,703**	**1,800**

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.

8 - TAXATION (Continued)

Deferred tax assets and deferred tax liabilities as at 30 June 2018 and 31 December 2017 were attributable to the items detailed in the table below:

	Cumulative temporary differences		Deferred tax temporary differences	
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
Provision for impaired factoring receivables	28,674	27,823	5,743	5,564
Deferred commission income on factoring receivables	1,382	1,416	304	283
Reserve for employment termination benefits	4,968	4,429	949	886
Deferred commission income	416	346	92	69
Temporary differences on borrowings and issued marketable securities	9	174	2	35
Other	545	358	120	72
Deferred tax asset	**35,994**	**34,546**	**7,210**	**6,909**
Valuation difference between carrying values and tax base of buildings and lands (*)	(3,585)	(3,558)	(394)	(356)
Effects of useful life differences of property and equipment, and intangible assets	(203)	(193)	(44)	(39)
Temporary differences on receivables from purchased or originated credit impaired assets	(1,881)	(3,281)	(414)	(656)
Deferred tax liability (-)	**(5,669)**	**(7,032)**	**(852)**	**(1,051)**
Net-off (-)			**(512)**	**(511)**
Deferred tax asset			**6,698**	**6,398**
Deferred tax liability			**(340)**	**(540)**

(*) In accordance with the 5th paragraph of Corporate Tax Law and with the amendment on this paragraph which was approved in the Parliament on 28 November 2017 and was published in the Official Gazette on 5 December 2017, 50 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 50 percent of such capital gains are subject to corporate tax. The Group estimates that, it will comply with these requirements and has calculated the deferred tax liability with the 10% effective taxation rate (31 December 2017: 10%).

The Group and its subsidiary calculate deferred tax assets and liabilities considering the effects of the temporary differences arising from the different valuations between the IFRS and the tax financial statements of the balance sheet items. As 22% corporation tax came into force with the "Law on the Amendment of Certain Tax Laws and Other Certain Other Laws" numbered 7061, 22% is used for the temporary differences which are likely to be recovered in 2018, 2019 and 2020, and 20% is used for the part which are likely to be recovered over three years in the calculation of deferred tax while preparing the 30 June 2018 financial statements (31 December 2017: 20%).

For the interim period ended 30 June 2018 and 30 June 2017, movements of net deferred tax assets are as follows:

	30 June 2018	30 June 2017
Balance at 1 January	**5,858**	**5,536**
Deferred tax income/(expense) that is recognized in profit or loss	348	205
Deferred tax that is recognized in other comprehensive income	152	43
Balance at 30 June	**6,358**	**5,784**

9 - CASH AND CASH EQUIVALENTS

As at 30 June 2018 and 31 December 2017, cash and cash equivalents comprised the following:

	30 June 2018	31 December 2017
Cash at banks	5,189	8,598
- Demand deposits	*5,044*	*7,948*
- Time deposits	*145*	*650*
Cash on hand	18	20
	5,207	**8,618**

As at 30 June 2018 the Group has time deposits (less than 1 month) with the average interest rate 15.20% (31 December 2017: Less than 1 month, with the interest rate 13.25%). There is no interest accrual on time deposits (31 December 2017: None).

As at 30 June 2018 and 31 December 2017, there is no blockage on cash and cash equivalents.

10 - FACTORING RECEIVABLES AND FACTORING PAYABLES

(i) Factoring receivables

As at 30 June 2018 and 31 December 2017 factoring receivables comprised the following:

	30 June 2018	31 December 2017
Domestic factoring receivables	1,460,722	1,165,812
Factoring receivables under follow-up	33,502	33,198
Factoring receivables, gross	**1,494,224**	**1,199,010**
Unearned income on factoring transactions (-)	(88,539)	(57,851)
Expected credit loss (-)	(33,937)	(33,198)
Factoring receivables, net	**1,371,748**	**1,107,961**

10 - FACTORING RECEIVABLES AND FACTORING PAYABLES (Continued)

As at 30 June 2018 and 31 December 2017, maturity of factoring receivables excluding unearned income and doubtful receivables are as follows:

	30 June 2018	31 December 2017
Up to 1 month	394,112	287,338
1 month to 3 months	495,334	450,476
3 months to 1 year	540,718	403,677
1 year and over	30,558	24,321
	1,460,722	**1,165,812**

The Group has obtained the following collaterals for its receivables as at 30 June 2018 and 31 December 2017:

	30 June 2018	31 December 2017
Customer notes and cheques obtained as collateral	1,525,956	1,264,522

As at 30 June 2018, carrying value of the Group's restructured factoring receivables amounts to TL 13,143 (31 December 2017: TL 13,392).

As at 30 June 2018, maturity profile of the doubtful factoring receivables and the expected credit loss allowance for them is as follows:

	30 June 2018		
	Stage 1	Stage 2	Stage 3
Expected credit loss allowance	(408)	(27)	(33,502)
	(408)	**(27)**	**(33,502)**

	30 June 2018	
	Doubtful receivables	Specific allowance
Past due 0-3 months	142	(128)
Past due 3-6 months	470	(470)
Past due 6-12 months	1,386	(1,386)
Past due over 1 year	31,504	(31,504)
Total	**33,502**	**(33,488)**

10 - FACTORING RECEIVABLES AND FACTORING PAYABLES (Continued)

As at 31 December 2017, maturity profile of the doubtful factoring receivables and the specific allowance for them is as follows:

	31 December 2017	
	Doubtful receivables	**Specific allowance**
Past due 0-3 months	1,305	(1,305)
Past due 3-6 months	2,885	(2,885)
Past due 6-12 months	6,857	(6,857)
Past due over 1 year	22,151	(22,151)
Total	**33,198**	**(33,198)**

Movements in the total provision for impairment in the doubtful factoring receivables for the periods ended 30 June 2018 and 30 June 2017 were as follows:

	30 June 2018	30 June 2017
Balance at 1 January	**33,198**	**33,879**
Impact of adopting IFRS 9 at 1 January 2018	528	-
Allowance for the year	1,105	406
Recoveries of amounts previously provided for	(815)	(1,513)
Reversal of expected credit loss	(79)	-
Balance at 30 June	**33,937**	**32,772**

(ii) Factoring payables

As at 30 June 2018, factoring payables amounting to TL 1,748 represent the amounts collected on behalf of but not yet paid to the factoring customers at the statement of consolidated financial position date (31 December 2017: TL 1,686).

11 - PURCHASED OR ORIGINATED CREDIT IMPAIRED ASSETS

As at 30 June 2018 and 31 December 2017, purchased or originated credit impaired assets of the Group comprised the following:

	30 June 2018	31 December 2017
Receivables from purchased or originated credit impaired assets (*)	124,499	121,807
Purchased or originated credit impaired assets	*128,695*	*121,935*
Expected credit loss allowance	*(4,196)*	*(128)*
	124,499	**121,807**

(*) As explained in detail in Note 2 and Note 3, the purchased or originated credit impaired assets are accounted at amortization cost calculated with credit adjusted effective interest rate in the consolidated financial statements.

11 - PURCHASED OR ORIGINATED CREDIT IMPAIRED ASSETS (Continued)

Portfolio	Purchase year	Currency	Cost	30 June 2018 Carrying amount
2014 Portfolio	2014	TL	48,350	25,613
2015 Portfolio	2015	TL	25,300	24,975
2016 Portfolio	2016	TL	43,000	40,550
2017 Portfolio	2017	TL	20,000	25,280
2018 Portfolio	2018	TL	7,350	8,081
				124,499

Portfolio	Purchase year	Currency	Cost	31 December 2017 Carrying amount
2014 Portfolio	2014	TL	48,350	29,395
2015 Portfolio	2015	TL	25,300	26,849
2016 Portfolio	2016	TL	43,000	43,560
2017 Portfolio	2017	TL	20,000	22,003
				121,807

As explained in detail in Note 3 (i), purchased or originated credit impaired assets are recognized initially at cost and subsequently measured at amortized cost, using effective interest rate which is the discount rate that equates the present value of the expected cash flows which is less than the contractual cash flows specified in the loan agreement, with the purchase price of the loan in the consolidated financial statements. The Group regularly reviews its estimated cash flow projections according to its credit risk policies and investing strategies in order to ensure that the credit adjusted effective interest rate reflects the Group's cash flow expectations.

Positive differences between credit portfolios' calculated collection projections' net present value and their carrying book values are recognized as "Income from purchased or originated credit impaired assets" and negative differences are recorded under "Other operating income/(expenses)". If any objective evidence that the receivables from purchased or originated credit impaired assets are impaired after the initial recognition comes to the attention of the Group, provision is recognized in consolidated statement of comprehensive income in related period by the Group. As at 30 June 2018 net present value of the receivables from purchased or originated credit impaired assets amount to TL 124,499 (31 December 2017: TL 121,807).

11 - PURCHASED OR ORIGINATED CREDIT IMPAIRED ASSETS (Continued)

The Group uses the following critical assumptions in calculation of net present value of the purchased or originated credit impaired assets.

The Group estimates future cash flows for its purchased or originated credit impaired assets for further periods after purchasing loan portfolios by taking into consideration of its market experience, contents of portfolios and market conditions. Other issues due to condition of the market participants are also included in projections. As the Group purchases the purchased or originated credit impaired assets at a deep discount, it reflects incurred losses in cash flow estimations when computing the effective interest rate. Accordingly, the effective interest rate of the purchased or originated credit impaired assets become the discount rate that equates the present value of the expected cash flows with the purchase price of the loan. Therefore, the Group estimates the credit adjusted effective interest rates when computing the net present value of purchased or originated credit impaired assets. The Group has estimated with a total of undiscounted TL 202,465 collections from its purchased or originated credit impaired assets portfolio for the periods between 2018 and 2024 (31 December 2017: TL 200,150 undiscounted collection from its purchased or originated credit impaired assets portfolio for the periods between 2017 and 2023).

Movement of allowances for purchased or originated credit impaired assets are presented below:

	30 June 2018	30 June 2017
Opening - 1 January	**128**	**99**
Adjustment to the first application of IFRS 9 (*)	22	-
Expected credit loss	4,046	-
Closing - 30 June	**4,196**	**99**

(*) The Group has initially applied IFRS9 at 1 January 2018 under the transition method chosen, comparative balances are not restated.

Movement of the purchased or originated credit impaired assets for the interim periods ended as at 30 June 2018 and 30 June 2017 is presented below:

	30 June 2018	30 June 2017
Opening - 1 January	**121,807**	**107,541**
Adjustment to the first application of IFRS 9 (*)	(22)	-
Acquisition of distressed loans	7,350	8,151
Collection received in the period	(24,770)	(14,714)
Provision (-)	(3,651)	-
Income from valuation in current period	9,890	12,243
Effect of credit adjusted net present value calculation	13,895	-
Closing - 30 June	**124,499**	**113,221**

(*) The Group has initially applied IFRS 9 at 1 January 2018 under the transition method chosen, comparative balances are not restated.

12 - PROPERTY AND EQUIPMENT

Movements of property and equipment for 30 June 2018 and 30 June 2017 are as follows:

	Buildings	Furniture and fixtures	Leasehold improvements	Total
Cost				
Balance at 1 January 2017	32,645	1,732	293	34,670
Additions	-	704	5	709
Balance at 30 June 2017	**32,645**	**2,436**	**298**	**35,379**
Balance at 1 January 2018	37,475	2,630	308	40,413
Additions	2,205	178	2	2,385
Transfers(*)	12,250	-	-	12,250
Balance at 30 June 2018	**51,930**	**2,808**	**310**	**55,048**
Accumulated depreciation				
Balance at 1 January 2017 (-)	-	(1,398)	(246)	(1,644)
Depreciation for the period (-)	-	(116)	(11)	(127)
Balance at 30 June 2017	**-**	**(1,514)**	**(257)**	**(1,771)**
Balance at 1 January 2018	-	(1,719)	(268)	(1,987)
Depreciation for the period	-	(163)	(25)	(188)
Balance at 30 June 2018	**-**	**(1,882)**	**(293)**	**(2,175)**
Net book value				
1 January 2017	**32,645**	**334**	**47**	**33,026**
30 June 2017	**32,645**	**922**	**41**	**33,608**
1 January 2018	**37,475**	**911**	**40**	**38,426**
30 June 2018	**51,930**	**926**	**17**	**52,873**

(*) As at 31 December 2017: TL 12,250 of the advances were given to a construction firm for the construction of the building. Related amount has a fixed asset nature and has been transferred to property and equipment at the delivery date.

As at 30 June 2018, total amount of insurance coverage on property and equipment is TL 10,750 (31 December 2017: TL 10,750).

13 - INTANGIBLE ASSETS

For the interim periods 30 June 2018 and 30 June 2017, movements of intangible assets are as follows:

	Softwares
Cost	
Balance at 1 January 2017	816
Additions	497
Balance at 30 June 2017	**1,313**
Balance at 1 January 2018	1,421
Additions	215
Balance at 30 June 2018	**1,636**
Accumulated amortization	
Balance at 1 January 2017 (-)	(654)
Amortization for the period (-)	(94)
Balance at 30 June 2017	**(748)**
Balance at 1 January 2018	(863)
Amortization for the period	(149)
Balance at 30 June 2018	**(1,012)**
Net book value	
At 1 January 2017	**162**
At 30 June 2017	**565**
At 1 January 2018	**558**
At 30 June 2018	**624**

As at 30 June 2018 and 30 June 2017, the Group does not have any intangible assets generated within the Group.

14 - OTHER ASSETS AND PREPAID EXPENSES

As at 30 June 2018 and 31 December 2017, details of other assets and prepaid expenses are stated below.

	30 June 2018	31 December 2017
Advances given (*)	154	12,355
Prepaid expenses	462	433
Receivables from litigation and court costs(**)	693	416
Receivables from liquidity provider practice	-	52
Other	68	79
	1,377	**13,335**

(*) As at 31 December 2017: TL 12,250 of the advances were given to a construction firm for the construction of the building. Related amount has a fixed asset nature and has been transferred to property and equipment at the delivery date.

(**) The related amount consists of the guarantees given for the lawsuits filed by the Group and various expense amounts.

15 - ASSETS HELD FOR SALE

As at 30 June 2018 and 31 December 2017, assets held for sale comprised the following:

	30 June 2018	31 December 2017
Assets held for sale	620	347
	620	**347**

As at 30 June 2018 and 31 December 2017, movements of assets held for sale were as follows:

	1 January 2018	Addition	Disposal	30 June 2018
Real estate properties	347	425	(152)	620
Net book value	**347**	**425**	**(152)**	**620**

	1 January 2017	Addition	Disposal	31 December 2017
Real estate properties	372	28	(53)	347
Net book value	**372**	**28**	**(53)**	**347**

16 - BORROWINGS

As at 30 June 2018 and 31 December 2017, details of borrowings of the Group are as follows:

30 June 2018

Unsecured	Original amount	Effective interest rate (%)	Up to 1 year	1 year and over	Total loans and borrowings
Bank loans-TL	969,836	15.24-23.00	926,218	43,618	969,836
Bank loans-US Dollar	2,322	6.00	10,588	-	10,588
Bank loans-Euro	910	3.69	4,832	-	4,832
Lease liabilities	21,850		21,850	-	21,850
Total unsecured borrowings			**963,488**	**43,618**	**1,007,106**

31 December 2017

Unsecured	Original amount	Effective interest rate (%)	Up to 1 year	1 year and over	Total loans and borrowings
Bank loans-TL	829,421	12.19-17.50	796,721	32,700	829,421
Bank loans-US Dollar	3,962	4.25	14,945	-	14,945
Bank loans-Euro	475	3.25	2,146	-	2,146
Lease liabilities	21,714		21,714	-	21,714
Total unsecured borrowings			**835,526**	**32,700**	**868,226**

Financial lease payables

The group leases its headquarter buildings under finance leases expiring within one year. Under the terms of the leases, the Group will acquire the leased assets back at the end of the leasing agreement.

As at 30 June 2018 and 31 December 2017, commitments in relation to finance leases are payable as follows:

	30 June 2018	31 December 2017
Within one year	23,689	25,390
Minimum lease payments	**23,689**	**25,390**
Future finance charges (-)	(1,839)	(3,676)
Recognized as a liability	**21,850**	**21,714**

As at 30 June 2018 and 31 December 2017, the present value of finance lease liabilities is as follows:

	30 June 2018	31 December 2017
Within one year	21,850	21,714
Minimum lease payments	**21,850**	**21,714**

17 - DEBT SECURITIES ISSUED

As at 30 June 2018 and 31 December 2017, debt securities issued comprised the following:

	30 June 2018	31 December 2017
Bonds issued	380,520	272,308
Bills issued	11,950	11,962
	392,470	**284,270**

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

ISIN CODE	Issue date	Issued nominal amount (TL)	Maturity date	Sales type	Coupon period payment
Bonds issued					
TRFLDFK71816	29 December 2017	20,000	4 July 2018	Qualified investor	Payment at maturity
TRFLDFK71824	12 January 2018	45,000	6 July 2018	Qualified investor	Payment at maturity
TRFLDFK81815	9 February 2018	25,000	3 August 2018	Qualified investor	Payment at maturity
TRFLDFK81823	21 February 2018	19,850	17 August 2018	Qualified investor	Payment at maturity
TRFLDFK81831	2 March 2018	32,000	10 August 2018	Qualified investor	Payment at maturity
TRFLDFK91814	2 March 2018	25,000	4 September 2018	Qualified investor	Payment at maturity
TRFLDFK91822	9 March 2018	15,000	4 September 2018	Qualified investor	Payment at maturity
TRFLDFK91830	9 March 2018	15,000	14 September 2018	Qualified investor	Payment at maturity
TRFLDFK91848	16 March 2018	15,000	7 September 2018	Qualified investor	Payment at maturity
TRFLDFK31919	23 March 2018	30,000	22 March 2019	Qualified investor	Quarterly
TRFLDFK91855	23 March 2018	23,000	14 September 2018	Qualified investor	Payment at maturity
TRFLDFK91863	4 April 2018	13,000	26 September 2018	Qualified investor	Payment at maturity
TRFLDFK41918	6 April 2018	21,000	5 April 2019	Qualified investor	Quarterly
TRFLDFKE1810	13 April 2018	10,000	5 October 2018	Qualified investor	Payment at maturity
TRFLDFKE1828	20 April 2018	15,000	12 October 2018	Qualified investor	Payment at maturity
TRFLDFKK1812	21 May 2018	20,000	9 November 2018	Qualified investor	Payment at maturity
TRFLDFKE1836	8 June 2018	46,000	19 October 2018	Qualified investor	Payment at maturity
Bills issued					
TRSDVYA61901	26 December 2017	12,000	25 August 2019	Qualified investor	Quarterly

The bill and bonds issued by the Group have floating and fixed coupon rates. Floating coupon rates 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. All announcements related with the issued bonds are released in the website of the Public Disclosure Platform ("PDP").

For the interim periods ended at 30 June 2018 and 30 June 2017, movements of the debt securities issued are presented below:

	30 June 2018	30 June 2017
Opening - 1 January	**284,270**	**174,534**
Proceeds from debt securities issued	344,748	193,380
Repayments of debt securities issued (-)	(252,360)	169,051
Accruals on debt securities issued	15,812	24
Closing - 30 June	**392,470**	**198,839**

18 - OTHER LIABILITIES

As at 30 June 2018 and 31 December 2017, other liabilities comprised the following:

	30 June 2018	31 December 2017
Taxes and duties other than on income	3,011	2,532
Payables to suppliers	1,033	806
Other payables	91	140
	4,135	**3,478**

19 - EMPLOYEE BENEFITS

As at 30 June 2018 and 31 December 2017, employee benefits comprised the following:

	30 June 2018	31 December 2017
Employee termination benefits provision	4,274	3,620
Unused vacation provision	694	809
Bonus provision	230	272
	5,198	**4,701**

Employee termination benefits payments

In accordance with existing social legislation in Turkey, the Group is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay, maximum of full TL 5,001.76 at 1 January 2018 (30 June 2017: full TL 4,732.48) per year of employment at the rate of pay applicable at the date of retirement or termination. The principal assumption used in the calculation of the total liability is that the maximum liability for each year of service will increase in line with inflation semi-annually.

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

International Accounting Standard No. 19 ("IAS 19") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The reserve has been calculated by estimating the present value of future probable obligation of the Group arising from the retirement of the employees. Accordingly, the following statistical assumptions were used in the calculation of the following liability as at 30 June 2018 and 31 December 2017:

	30 June 2018	31 December 2017
Discount rate (%)	4.67	4.67
Expected rate of salary/limit increase (%)	7.00	7.00
Turnover rate to estimate the probability of retirement (%)	95.00	95.00

19 - EMPLOYEE BENEFITS (Continued)

For the interim periods ended 30 June 2018 and 30 June 2017, movements in the reserve for employee severance payments are as follows:

	30 June 2018	30 June 2017
Opening - 1 January	**3,620**	**3,128**
Interest cost	220	220
Service cost	301	232
Paid (-)	(95)	(249)
Actuarial losses	228	218
Closing - 30 June	**4,274**	**3,549**

Unused vacation provision

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

For the interim periods ended 30 June 2018 and 30 June 2017, movements in the vacation pay liability are as follows:

	30 June 2018	30 June 2017
Opening - 1 January	**809**	**878**
Increase/(reversal) of provision	(115)	317
Closing - 30 June	**694**	**1,195**

20 - EQUITY

20.1 Paid-in capital

As at 30 June 2018 and 31 December 2017, the nominal value of the Company's authorized and paid-in share capital amounts to TL 30,000 comprising 30,000 registered shares of par value of 0.001 TL. Adjustment to share capital represents the restatement effect of the contributions to share capital equivalent to purchasing power of TL at 31 December 2005.

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

20 - EQUITY (Continued)

20.1 Paid-in capital (Continued)

As at 30 June 2018 and 31 December 2017, the composition of the authorized and paid-in share capital as full TL was as follows:

	30 June 2018					31 December 2017	
	Share (%)	Group A	Group B	Group C	Total	Share (%)	Total
Nedim Menda	34.850	10,000	10,445,000	-	10,455,000	34.850	10,455,000
Raşel Elenkave	11.338	15,000	3,386,250	-	3,401,250	11.338	3,386,250
Jak Sucaz	10.200	10,000	3,050,000	-	3,060,000	10.200	3,050,000
Credit Suisse Investments (Nederland) B.V.	9.900	-	-	2,970,000	2,970,000	9.900	2,970,000
Lizet Sucaz	6.238	5,000	1,866,250	-	1,871,250	6.238	1,866,250
Refka B. Adato	6.238	5,000	1,866,250	-	1,871,250	6.238	1,866,250
Judit Menda	6.238	5,000	1,866,250	-	1,871,250	6.238	1,866,250
Publicly traded	15.000	-	4,500,000	-	4,500,000	15.000	4,500,000
Total	**100.000**	**50,000**	**26,980,000**	**2,970,000**	**30,000,000**	**100.000**	**26,980,000**

According to the article of association 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.

20.2 Legal reserves

The legal reserves are established by annual appropriations amounting to 5% of income disclosed in the Company's statutory accounts until it reaches 20% of paid-in share capital (first legal reserve). Without limit, a further 10% of dividend distributions in excess of 5% of paid-in capital are to be appropriated to increase legal reserves (second legal reserve). The first legal reserve is restricted and is not available for distribution as dividend unless it exceeds 50% of share capital. In the accompanying consolidated financial statements, the total of legal reserves is TL 25,397 at 30 June 2018 (31 December 2017: TL 9,773).

It was decided in the Company's General Assembly dated 26 June 2018 that first dividends of 4,045 TL and second dividends of 5,555 TL for a total of 9,600 TL would be paid in cash to Shareholders on 9 July 2018. Dividends have been paid on 9 July 2018.

20.3 Revaluation surplus

The asset revaluation reserve is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognized in equity. As at 30 June 2018 revaluation surplus amount is TL 33,447 (31 December 2017: TL 33,447).

20.4 Actuarial differences

Actuarial gains / (losses) arising from changes in discount rates and expected rates of salary/limit increases and other demographic assumptions are recognized under equity in the statement of financial position amounting to TL 1,173 as at 30 June 2018 (31 December 2017: TL 991).

21 - EARNINGS PER SHARE

For the interim periods ended 30 June 2018 and 30 June 2017, the calculation of earnings per share was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding as follows:

	30 June 2018	30 June 2017
Weighted average number of shares	30,000	30,000
Profit for the period	17,823	11,330
Basic and diluted profit per share	**0.59**	**0.38**

22 - FINANCIAL INSTRUMENTS

Overview

The Group 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 Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk, and the Group's management of capital. Further quantitative disclosures are included throughout these consolidated financial statements.

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

i) Credit risk

a) Risk management framework

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

22 - FINANCIAL INSTRUMENTS (Continued)

i) Credit risk (Continued)

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

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

	30 June 2018	31 December 2017
Factoring receivables	1,371,748	1,107,961
Purchased or originated credit impaired assets	124,499	121,807
Other receivables	1,377	13,335
Cash and cash equivalents (*)	5,044	7,948
	1,502,668	**1,251,051**

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

The Group manages the concentrations risk on factoring and purchased or originated credit impaired assets on geographical and industry basis as the similar industries have similar characteristics and are affected similarly by changes in economic or other conditions.

The table below summaries the geographic distribution of the Group's assets and liabilities as at 30 June 2018 and 31 December 2017:

30 June 2018	Assets	%	Liabilities	%
Turkey	1,563,646	100	1,413,700	100
	1,563,646	**100**	**1,413,700**	**100**

31 December 2017	Assets	%	Liabilities	%
Turkey	1,297,450	100	1,164,701	100
	1,297,450	**100**	**1,164,701**	**100**

22 - FINANCIAL INSTRUMENTS (Continued)

i) Credit risk (Continued)

As at 30 June 2018 and 31 December 2017, the breakdown of factoring receivables, excluding unearned income and doubtful receivables, by industrial groups is as follows:

	30 June 2018	(%)	31 December 2017	(%)
Construction	215,133	15	171,120	15
Textile	210,889	15	169,493	15
Trading	183,608	14	168,658	14
Iron and steel	173,009	11	132,209	11
Automotive	116,141	8	87,846	8
Food	105,295	7	81,094	7
Rubber and plastics	81,082	7	72,521	7
Machinery	73,229	4	50,636	4
Paper and printing	68,757	4	49,546	4
Electrics and electronics	42,419	3	37,028	3
Agricultural products	43,763	3	35,055	3
Wood products	49,615	3	35,046	3
Chemicals	35,871	2	23,999	2
Leather products	13,113	1	12,067	1
Tourism	1,326	-	2,908	-
Others	47,472	3	36,586	3
Total	**1,460,722**	**100**	**1,165,812**	**100**

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

The Group is subject to credit risk through its purchased or originated credit impaired assets management operations. Within the scope of purchased or originated credit impaired assets management operations, the Group purchases purchased or originated credit impaired assets from different established banks in Turkey. The Group's purchased or originated credit impaired assets consist of consumer and commercial loans and credit card portfolios purchased between the years 2014 and 2018 from 8 different banks established in Turkey. The credibility of the debtors and recent repayment capability of the debtors of the Group are assessed periodically by the Group. Based on the assessments, the Group reviews its cash flow expectations periodically.

b) Collaterals

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

As at 30 June2018 and 31 December 2017, 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.

The Group obtains collaterals for its factoring receivables. The details of the collaterals received by the Group is disclosed in Note 23. The amount of the risk exposure associated with all financial instruments and maximum risk secured with collaterals disclosed in the table presented below.

22 - FINANCIAL INSTRUMENTS (Continued)

i) 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 Group against those assets.

	30 June 2018			31 December 2017		
	Receivables	Other receivables	Cash and cash equivalents	Receivables	Other receivables	Cash and cash equivalents
Exposure to maximum credit risk as at reporting date (A+B+C+D+E)	**1,495,812**	**1,377**	**5,189**	**1,229,768**	**13,335**	**8,618**
Maximum risk secured with collaterals	1,371,748	-	-	1,107,961	-	-
A) Net carrying value of financial assets which are neither impaired nor overdue	1,358,605	1,377	5,189	1,094,569	13,335	8,618
B) Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	13,143	-	-	13,392	-	-
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	124,064	-	-	121,807	-	-
- Overdue (gross book value) (*)	162,197	-	-	155,133	-	-
- Impairment (-) (*)	(38,133)	-	-	(33,326)	-	-
- 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	-	-	-	-	-	-

(*) 33,937 TL of the related balances consists of expected credit losses (Note 11).

22 - FINANCIAL INSTRUMENTS (Continued)

ii) Liquidity risk

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

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

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements. The amounts disclosed in the table are the contractual undiscounted cash flows, whereas the Group manages the inherent liquidity risk based on expected undiscounted cash inflows.

30 June 2018	Carrying amount	Contractual cash flows	3 months or less	3 to 12 months	1 to 5 years	Over 5 years
Non-derivative financial liabilities	**1,401,324**	**1,445,882**	**1,129,329**	**262,536**	**54,017**	**-**
Borrowings	1,007,106	1,042,284	926,731	73,536	42,017	-
Debt securities issued	392,470	401,850	200,850	189,000	12,000	-
Factoring payables	1,748	1,748	1,748	-	-	-

31 December 2017	Carrying amount	Contractual cash flows	3 months or less	3 to 12 months	1 to 5 years	Over 5 years
Non-derivative financial liabilities	**1,154,182**	**1,188,922**	**853,345**	**280,865**	**54,712**	**-**
Borrowings	868,226	891,236	700,159	148,365	42,712	-
Debt securities issued	284,270	296,000	151,500	132,500	12,000	-
Factoring payables	1,686	1,686	1,686	-	-	-

iii) Market risk

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

a) 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 a portion of borrowings and bill issued which have floating interest rates (Note 16, 17).

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

22 - FINANCIAL INSTRUMENTS (Continued)

iii) Market risk (Continiued)

The tables below summarize average effective interest rates by major currencies for monetary financial instruments as at 30 June 2018 and 31 December 2017:

	30 June 2018			31 December 2017		
	USD (%)	Euro (%)	TL (%)	USD (%)	Euro (%)	TL (%)
Assets						
Cash and cash equivalents	-	-	15.20	-	-	13.25
Factoring receivables	16.66	19.84	24.22	12.48	18.79	19.55
Purchased or originated credit impaired assets	-	-	25.5	-	-	24.50
Liabilities						
Borrowings	6.00	3.69	20.87	4.25	3.25	15.22
Debt securities issued	-	-	17.44	-	-	16.20

Interest rate profile

As at 30 June 2018 and 31 December 2017, the interest rate profiles of the interest-bearing financial instruments were as follows:

Carrying amount	30 June 2018	31 December 2017
Fixed rate instruments		
Cash and cash equivalents	145	650
Factoring receivables	1,371,748	1,107,961
Purchased or originated credit impaired assets	124,499	121,807
Borrowings	(703,565)	(588,726)
Debt securities issued	(328,421)	(284,270)
Variable rate instruments		
Loans and borrowings	(303,541)	(279,500)
Debt securities issued	(64,049)	-

Fair value sensitivity analysis for fixed rate instruments

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

22 - FINANCIAL INSTRUMENTS (Continued)

iii) Market risk (Continiued)

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate assets and liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year.

A change of 100 basis points in interest rates as at 30 June 2018 and 31 December 2017 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 2018				
Variable rate instruments	(747)	747	(747)	747
31 December 2017				
Variable rate instruments	(703)	703	(703)	703

(*) Including profit or loss effects.

The exposure of the Group's borrowing to interest rate changes and the contractual re-pricing dates of the borrowings at the end of the reporting period are as follows:

30 June 2018	Demand and up to 3 months	3 to 12 months	Over 1 Year	Non-interest bearing	Total
Assets					
Cash and cash equivalents	163	-	-	5,044	5,207
Factoring receivables	889,446	540,718	30,558	-	1,460,722
Purchased or originated credit impaired assets	6,904	21,098	96,497	-	124,499
Total assets	**896,513**	**561,816**	**127,055**	**5,044**	**1,590,428**
Liabilities					
Borrowings (-)	(926,530)	(36,958)	(43,618)	-	(1,007,106)
Debt securities issued (-)	(200,000)	(180,470)	(12,000)	-	(392,470)
Total liabilities	**(1,126,530)**	**(217,428)**	**(55,618)**	**--**	**(1,399,576)**
Net re-pricing gap	**(230,017)**	**344,388**	**71,437**	**5,044**	**190,852**

22 - FINANCIAL INSTRUMENTS (Continued)

iii) Market risk (Continiued)

31 December 2017	Demand and up to 3 months	3 to 12 months	Over 1 Year	Non-interest bearing	Total
Assets					
Cash and cash equivalents	650	-	-	7,968	8,618
Factoring receivables	737,814	403,677	24,321	-	1,165,812
Purchased or originated credit impaired assets	11,573	30,388	79,846	-	121,807
Total assets	**750,037**	**434,065**	**104,167**	**7,968**	**1,296,237**
Liabilities					
Borrowings	(699,743)	(140,350)	(28,133)	-	(868,226)
Debt securities issued	(148,225)	(124,083)	(11,962)	-	(284,270)
Total liabilities	**(847,968)**	(264,433)	**(40,095)**	**-**	**(1,152,496)**
Net re-pricing gap	**(97,931)**	**169,632**	**64,072**	**7,968**	**143,741**

b) Foreign currency risk

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

As at 30 June 2018 and 31 December 2017, the currency risk exposures are as follows (TL equivalents):

30 June 2018	USD	Euro	Total
Factoring receivables	11,987	5,639	17,626
Other receivables	4	8	12
Loans and borrowings (-)	(10,588)	(4,832)	(15,420)
Other liabilities (-)	-	-	-
Net balance sheet exposure	**1,403**	**815**	**2,218**

31 December 2017	USD	Euro	Total
Factoring receivables	17,038	2,953	19,991
Other receivables	4	7	11
Loans and borrowings (-)	(14,944)	(2,145)	(17,089)
Other liabilities (-)	(5)	-	(5)
Net balance sheet exposure	**2,093**	**815**	**2,908**

22 - FINANCIAL INSTRUMENTS (Continued)

iii) Market risk (Continiued)

Exchange rates applied as at 30 June 2018 and 31 December 2017:

	30 June 2018	31 December 2017
USD	4.5607	3.7719
Euro	5.3092	4.5155

Sensitivity analysis

A 10 percent depreciation of the TL against the following currencies at 30 June 2018 and 31 December 2017 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 2018	Equity	Profit or loss
USD	140	140
Euro	82	82
	222	**222**

31 December 2017	Equity	Profit or loss
USD	209	209
Euro	82	82
	291	**291**

A 10 percent strengthening in the TL against the foreign currencies as at 30 June 2018 and 31 December 2017 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.

22 - FINANCIAL INSTRUMENTS (Continued)

iv) Operational risk

The most comprehensive meaning of operational risk is considered to be any risk which is not classified as market and credit risk. In managing operational risk, increasing the skills of the staff, improving the job technology and job definitions, establishing the necessary internal controls and various insurances are employed as main methods.

	30 June 2018	31 December 2017
Total liabilities	**1,413,700**	**1,164,701**
Cash and cash equivalents (-)	5,207	8,618
Net debt	**1,408,493**	**1,156,083**
Total equity	**149,946**	**132,749**
Net debt /equity ratio	**9.39**	**8.71**

Capital management

In accordance with Article 12 of the "Regulation on Establishment and Operation Principles of Financial leasing, Factoring and Financing Companies" published in the Official Gazette dated 24 December 2013, the Group is required to keep minimum 3% standard ratio calculated by dividing equity to total assets. Standard ratio of the Group is 9.3% as at 30 June 2018 (31 December 2017: 10.2%) as calculated in accordance with statutory consolidated financial statements.

23 - COMMITMENTS AND CONTINGENCIES

Commitments and contingent liabilities arising in the ordinary course of business comprised the following items as at 30 June 2018 and 31 December 2017:

Collaterals received

	30 June 2018	31 December 2017
Personal guarantees	6,359,222	5,763,407
Cheques and notes received as collateral	3,108,381	2,661,518
	9,467,603	**8,424,925**

Letters of guarantee

	30 June 2018	31 December 2017
Given to banks	250,630	209,349
	250,630	**209,349**

23 - COMMITMENTS AND CONTINGENCIES (Continued)

The table below indicates the payment instruments received from the factoring customers by the Group due to the factoring transactions:

	30 June 2018	31 December 2017
Customer cheques	1,429,024	1,163,827
Customer notes	96,932	100,695
	1,525,956	**1,264,522**

24 - RELATED PARTY DISCLOSURES

Interest expense

	30 June 2018	30 June 2017
Credit Suisse AG London Branch	-	3,899
	-	**3,899**

Benefits paid to management

For the purpose of accompanying consolidated 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 interim period ended 30 June 2018 was amounting to TL 5,058 (30 June 2017: TL 3,152).

25 - DISCLOSURES OF INTERESTS IN OTHER ENTITIES

Condensed statement of financial position of Destek Varlık as at 30 June 2018 is presented below:

	30 June 2018
Condensed statement of financial position:	
Current assets	125,683
Non-current assets	898
Total assets	**126,581**
Financial liabilities (-)	(96,850)
Other liabilities (-)	(2,229)
Total liabilities	**(99,079)**
Paid-in capital	20,000
Re-measurements of employee termination benefits	(23)
Retained earnings	4,853
Net profit for the period	2,672
Net assets	**27,502**

26 - EVENTS AFTER THE REPORTING PERIOD

i) On 4 July 2018, the bill, which the Group has issued to qualified investors on 29 January 2017 with ISIN Code of "TRFLDFK71816" and nominal value of TL 20,000 has expired.

ii) On 5 July 2018, the Group has issued a bill which has ISIN Code of "TRFLDFKA1814" and nominal value of TL 14,000 to qualified investors. The maturity date of the related bill is 21 December 2018.

iii) On, 6 July 2018 the bill, which the Group has issued to qualified investors on 12 January 2018 with ISIN Code of "TRFLDFK71824" and nominal value of TL 45,000 has expired.

iv) On 6 July 2018, the Group has issued a bill which has ISIN Code of "TRFLDFKE1844" and nominal value of TL 40,000 to qualified investors. The maturity date of the related bill is 5 October 2018.

v) On 6 July 2018, the Group has issued a bill which has ISIN Code of "TRFLDFK41926" and nominal value of TL 10,000 to qualified investors. The maturity date of the related bill is 26 April 2019.

vi) On 3 August 2018, the bill, which the Group has issued to qualified investors on 9 February 2018 with ISIN Code of "TRFLDFK81815" and nominal value of TL 25,000 has expired.

26 - EVENTS AFTER THE REPORTING PERIOD (Continued)

vii) On 3 August 2018, the Group has issued a bill which has ISIN Code of "TRFLDFKK1820" and nominal value of TL 26,000 to qualified investors. The maturity date of the related bill is 16 November 2018.

viii) It was decided in the Company's General Assembly dated 26 June 2018 that first dividends of 4,045 TL and second dividends of 5,555 TL for a total of 9,600 TL would be paid in cash to partners on 9 July 2018. Dividends have been paid on 9 July 2018.

ix) On 10 August 2018, the bill, which the Group has issued to qualified investors on 2 March 2018 with ISIN Code of "TRFLDFK81831" and nominal value of TL 32,000 has expired.

x) On17 August 2018, the bill, which the Group has issued to qualified investors on 9 March 2018 with ISIN Code of "TRFLDFK81823" and nominal value of TL 19,850 has expired.

xi) On 4 September 2018, the bill, which the Group has issued to qualified investors on 21 February 2018 with ISIN Code of "TRFLDFK91822" and nominal value of TL 15,000 has expired.

xii) On 4 September 2018, the bill, which the Group has issued to qualified investors on 2 March 2018 with ISIN Code of "TRFLDFK91814" and nominal value of TL 25,000 has expired.

xiii) On 7 September 2018, the bill, which the Group has issued to qualified investors on 16 March 2018 with ISIN Code of "TRFLDFK91848" and nominal value of TL 15,000 has expired.

xiv) On 14 September 2018, the bill, which the Group has issued to qualified investors on 9 March 2018 with ISIN Code of "TRFLDFK91830" and nominal value of TL 15,000 has expired.

xv) On 14 September 2018, the bill, which the Group has issued to qualified investors on 23 March 2018 with ISIN Code of "TRFLDFK91855" and nominal value of TL 23,000 has expired.

xvi) On 26 September 2018, the bill, which the Group has issued to qualified investors on 4 April 2018 with ISIN Code of "TRFLDFK91863" and nominal value of TL 13,000 has expired.

xvii) On 5 October 2018, the bill, which the Group has issued to qualified investors on 13 April 2018 with ISIN Code of "TRFLDFKE1810" and nominal value of TL 10,000 has expired.

xviii) On 5 October 2018, the bill, which the Group has issued to qualified investors on 6 July 2018 with ISIN Code of "TRFLDFKE1844" and nominal value of TL 40,000 has expired.

xix) The Turkish Lira has devalued significantly against certain foreign currencies between 30 June 2018 and 11 October 2018 when the financial statements were approved. The devaluation in question was 24% against the US Dollar and 23% against the Euros.