Lider Faktoring
Anonim Şirketi
(former name "Lider Faktoring Hizmetleri Anonim Şirketi")

Financial Statements
As at and For the Year Ended
31 December 2013
With Independent Auditors' Report

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi

14 February 2014

This report includes 2 pages of independent auditors' report and 36 pages of financial statements together with their explanatory notes.

Lider Faktoring
Anonim Şirketi

(former name "Lider Faktoring Hizmetleri Anonim Şirketi")

Table of contents

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 29
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00
Fax +90 (216) 681 90 90
Internet www.kpmg.com.tr

Independent Auditors' Report

To the Board of Directors of
Lider Faktoring Anonim Şirketi,

We have audited the accompanying financial statements of Lider Faktoring Anonim Şirketi (former name "Lider Faktoring Hizmetleri Anonim Şirketi") ("the Company"), which comprise the statement of financial position as at 31 December 2013, the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2013, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Akis 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.

Other matter

The financial statements of the Company as at and for the year ended 31 December 2012 were audited by another auditor who expressed an unmodified opinion on those statements on 15 February 2013.

KPMG Akis Bağımsız Denetim ve SMMM A.Ş.

14 February 2014
İstanbul, Turkey

Other matter

The financial statements of the Company as at and for the year ended 31 December 2012 were audited by another auditor who expressed an unmodified opinion on those statements on 15 February 2013.

14 February 2014
İstanbul, Turkey

LİDER FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013
(Currency: Turkish Lira ("TL") unless otherwise stated)

	Notes	31 December 2013	31 December 2012
Assets			
Cash and cash equivalents	*8*	930,154	953,818
Factoring receivables	*9*	584,146,789	621,502,320
Property and equipment	*10*	22,630,548	16,415,316
Intangible assets	*11*	130,094	177,279
Deferred tax assets	*7*	2,408,498	2,313,814
Other assets and prepaid expenses	*12*	1,214,554	3,495,989
Total assets		**611,460,637**	**644,858,536**
Liabilities			
Factoring payables	*9*	580,145	1,002,509
Loans and borrowings	*13*	399,389,563	405,458,533
Finance lease payables	*15*	18,983,251	--
Debt securities	*14*	91,003,692	149,069,326
Current tax liabilities	*7*	234,870	2,050,683
Other liabilities	*16*	1,889,673	1,596,411
Employee benefits	*17*	1,672,020	1,798,679
Total liabilities		**513,753,214**	**560,976,141**
Equity			
Share capital	*18*	35,873,808	35,873,808
Revaluation surplus	*18*	18,400,666	12,350,666
Legal reserves	*18*	4,693,078	4,154,587
Retained earnings		38,739,871	31,503,334
Total equity		**97,707,423**	**83,882,395**
Total liabilities and equity		**611,460,637**	**644,858,536**

The notes on pages 6 to 36 are an integral part of these financial statements.

LİDER FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013
(Currency: Turkish Lira ("TL")unless otherwise stated)

	Notes	31 December 2013	31 December 2012
Interest income			
Interest income on factoring receivables		81,736,719	93,466,362
Interest income on cash equivalents		--	328,711
Total interest income		**81,736,719**	**93,795,073**
Interest expense			
Interest expense on loans and borrowings		(41,408,930)	(48,812,275)
Interest expense on debt securities		(16,186,760)	(12,839,758)
Total interest expense		**(57,595,690)**	**(61,652,033)**
Net interest income		**24,141,029**	**32,143,040**
Fee and commission income on factoring transactions		14,490,137	19,893,093
Fee and commission expense on banking transactions		(1,161,360)	(1,485,784)
Fee and commission income, net		**13,328,777**	**18,407,309**
Gross profit		**37,469,806**	**50,550,349**
Foreign exchange gains, net		186,880	311,611
Other operating income		168,163	151,325
Operating income		**37,824,849**	**51,013,285**
Impairment loss on factoring receivables	*9*	(1,504,017)	(8,003,724)
Personnel expenses	6	(21,346,286)	(19,912,597)
Administrative expenses	*5*	(5,834,775)	(7,103,889)
Depreciation and amortization	*10, 11*	(271,465)	(489,710)
Profit before income tax		**8,868,306**	**15,503,365**
Income tax expense	*7*	(1,318,974)	(3,182,166)
Profit		**7,549,332**	**12,321,199**
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Revaluation of property and equipment		6,145,785	720,451
Remeasurement of employee termination benefits		282,120	--
Related tax		(152,209)	1,806,015
Other comprehensive income, net of tax		**6,275,696**	**2,526,466**
Total comprehensive income		**13,825,028**	**14,847,665**
Earnings per share			
Basic earnings per share(TL)	*19*	0.25	0.41
Diluted earnings per share (TL)	*19*	0.25	0.41

The notes on pages 6 to 36 are an integral part of these financial statements.

LİDER FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013
(Currency: Turkish Lira ("TL") unless otherwise stated)

	Nominal share capital	Inflationary effect on share capital	Revaluation surplus	Legal reserves	Retained earnings	Total equity
Balances at 1 January 2012	**30,000,000**	**5,873,808**	**9,824,200**	**3,558,812**	**19,777,910**	**69,034,730**
Transfer to legal reserves	--	--		595,775	(595,775)	--
Total comprehensive income for the year						
Profit	--	--	--	--	12,321,199	12,321,199
Other comprehensive income	--	--	**--**	**--**	**--**	**--**
Revaluation of property and equipment	--	--	2,526,466	--	--	2,526,466
Total	**30,000,000**	**5,873,808**	**12,350,666**	**4,154,587**	**31,503,334**	**83,882,395**
Transactions with owners, recorded directly to equity	--	--	--	--	--	--
Balances at 31 December 2012	**30,000,000**	**5,873,808**	**12,350,666**	**4,154,587**	**31,503,334**	**83,882,395**
Balances at 1 January 2013	**30,000,000**	**5,873,808**	**12,350,666**	**4,154,587**	**31,503,334**	**83,882,395**
Transfer to legal reserves	--	--	--	538,491	(538,491)	--
Total comprehensive income for the year						
Profit	--	--	--	--	7,549,332	7,549,332
Other comprehensive income	--	--	--	--	--	--
Revaluation of property and equipment	--	--	6,050,000	--	--	6,050,000
Remeasurement of employee termination benefits	--	--	--	--	225,696	225,696
Total	**30,000,000**	**5,873,808**	**18,400,666**	**4,693,078**	**38,739,871**	**97,707,423**
Transactions with owners, recorded directly to equity	--	--	--	--	--	--
Balances at 31 December 2013	**30,000,000**	**5,873,808**	**18,400,666**	**4,693,078**	**38,739,871**	**97,707,423**

The notes on pages 6 to 36 are an integral part of these financial statements.

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

	Notes	**31 December 2013**	**31 December 2012**
Cash flows from operating activities:			
Net profit for the year		7,549,332	12,321,199
Components of net profit not generating or using cash			
Depreciation and amortisation	*10, 11*	271,465	489,710
Provision for employee severance payments	*17*	410,422	242,462
Provision/(release) for vacation pay liability	*17*	(123,790)	285,177
Net interest income		(24,141,029)	(32,143,040)
Income tax expense	*7*	1,318,974	3,182,166
Provision for doubtful receivables	*9*	8,237,432	13,352,409
Changes in operating assets and liabilities			
Change in factoring receivables		(28,464,680)	(142,088,589)
Change in factoring payables		(422,364)	580,359
Change in other assets		2,232,229	(2,477,962)
Change in other liabilities		209,470	889,561
Interest received		81,723,808	92,612,462
Income taxes paid	*7*	(3,429,059)	(1,478,703)
Net cash provided from/(used in) operating activities		**45,372,210**	**(54,232,789)**
Investing activities:			
Purchase of property and equipment	*10*	(19,291,893)	(182,563)
Purchase of intangible assets	*11*	(82,421)	(86,407)
Proceeds from disposal of property and equipment		19,080,587	62,376
Net cash used in investing activities		**(293,727)**	**(206,594)**
Financing activities:			
Interest paid		(48,259,399)	(59,791,007)
Net cash flow provided from loans and borrowings		47,011,047	29,604,666
Net cash flow provided from debt securities		(43,903,001)	67,930,298
Net cash provided from/(used in) financing activities		**(45,151,353)**	**37,743,957**
Net decrease in cash and cash equivalents		**(72,870)**	**(16,695,426)**
Cash and cash equivalents at 1 January	*8*	953,818	17,649,244
Effect of movements in exchange rates on cash held		49,206	--
Cash and cash equivalents at 31 December	*8*	**930,154**	**953,818**

The notes on pages 6 to 36 are an integral part of these financial statements.

Notes to the financial statements

1 Reporting entity

Şetat Faktoring A.Ş. was incorporated on 20 September 1992 in Turkey to provide factoring services to industrial and commercial firms. The name of Şetat Faktoring A.Ş. was changed to Lider Faktoring Hizmetleri A.Ş. (the "Company") and the change was announced on the Trade Registry Gazette dated 12 June 2002 and numbered 5568. On 1 July 2013, with the Extraordinary General Assembly Meeting, legal name of the Company was changed from Lider Faktoring Hizmetleri Anonim Şirketi to Lider Faktoring Anonim Şirketi. The change of the legal name is registered with Turkish Trade Registry Gazette on 10 July 2013.

The Company's head office is located at Büyükdere Caddesi 100 Maya Akar Center K: 25 Esentepe – Istanbul. The Company has 176 employees as at 31 December 2013 (31 December 2012: 178).

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

2 Basis of preparation

(a) Statement of compliance

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

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The financial statements of the Company as at and for the year ended 31 December 2013 have been approved by the Company management on 14 February 2014. The General Assembly of the Company and certain regulatory bodies has the power to amend the statutory financial statements after their issue.

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

2 Basis of preparation *(continued)*

(d) Use of estimates and judgments

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

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

(i) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2014 is included in the following notes:

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

3 Significant accounting policies

Except as described below, the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current period. The Company has reclassified TL 242,462 employee termination indemnity expense from administrative expenses to personnel expenses and TL 911,384 recoveries of amounts previously provided for doubtful recivables from other operating income to impairment loss on factoring receivables as at 31 December 2012.

(a) Changes in accounting policies

The Company has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

•IFRS 13 Fair Value Measurement (see (i))

•Presentation of Items of Other Comprehensive Income (Amendments to IAS 1) (see (ii))

•IAS 19 Employee Benefits (2011) (see (iii))

The nature and the effect of the changes are further explained below.

(i) Fair value measurement

IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements, when such measurements are required or permitted by other IFRSs. In particular, it unifies the definition of fair value as the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date. It also replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures.

In accordance with the transitional provisions of IFRS 13, the Company has applied the new fair value measurement guidance prospectively, and has not provided any comparative information for new disclosures. Notwithstanding the above, the change had no significant impact on the measurements of the Company's assets and liabilities.

3 Significant accounting policies *(continued)*

(a) Changes in accounting policies *(continued)*

(ii) Presentation of items of other comprehensive income

As a result of the amendments to IAS 1, the Company has modified the presentation of items of other comprehensive income ("OCI") in its statement of profit or loss and other comprehensive income, to present separately items that would be reclassified to profit or loss in the future from those that would never be. Comparative information has also been re-presented accordingly.

The adoption of the amendment to IAS 1 has no impact on the recognised assets, liabilities and comprehensive income of the Company.

(iii) Defined benefit plans

As a result of the adoption of IAS 19 (2011), all actuarial differences are recognised immediately in other comprehensive income.

Actuarial differences were recognised in profit or loss before this change accounting policy.

Since the effect of change in accounting policy is insignificant, it was not applied to the financial statement as at 1 January 2013 and it was applied to the financial statements as at 31 December 2013.

(b) Accounting in hyperinflationary economies

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

(b) Foreign currency transactions

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

(c) Financial instruments

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

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

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

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

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

3 Significant accounting policies *(continued)*

(c) Financial instruments *(continued)*

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

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

Amortised cost measurement

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

(ii) Non-derivative financial assets – measurement

Cash and cash equivalents

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

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

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

Factoring receivables

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

(iii) Non-derivative financial liabilities – measurement

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

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

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

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

Loans and borrowings, debt securities and finance lease payables

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

3 Significant accounting policies *(continued)*

(c) Financial instruments *(continued)*

(iii) Non-derivative financial liabilities – measurement (continued)

Other

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

(d) Share capital

Ordinary shares

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

(e) Property and equipment

(i) Recognition and measurement

Items of property and equipment, except for building, acquired before 1 January 2006 are measured at cost restated for the effects of inflation in TL units current at 31 December 2005 pursuant to IAS 29, less accumulated depreciation and accumulated impairment losses, if any. Property and equipment, except for building, 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 less accumulated depreciation and impairment losses recognised 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 recognised in the other comprehensive income, in which case the increase is recognised in the other comprehensive income. A revaluation deficit is recognised in the profit or loss, except to the extent that it offsets an existing surplus on the same asset recognised in the revaluation surplus.

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

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

(ii) Subsequent expenditure

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

(iii) Depreciation

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

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

3 Significant accounting policies *(continued)*

(e) Property and equipment *(continued)*

(iii) Depreciation (continued)

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

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

(f) Intangible assets

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

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

(g) Leases

(i) Determining whether an arrangement contains a lease

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

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

(ii) Leased assets

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

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

(iii) Lease payments

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

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

3 Significant accounting policies *(continued)*

(h) Impairment

(i) Financial assets

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

Financial assets measured at amortised cost

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

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

Factoring receivables

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

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

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

3 Significant accounting policies *(continued)*

(h) Impairment*(continued)*

(i) Financial assets (continued)

Factoring receivables(continued)

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

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

(ii) Non-financial assets

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

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

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

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

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

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

(i) Employee benefits

(i) Reserve for employee severance payments

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

3 Significant accounting policies *(continued)*

(i) Employee benefits *(continued)*

(ii) Short-term benefits

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

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

(j) Provisions

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

(k) Related parties

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

(l) Revenue and cost recognition

(i) Factoring interest and commission income

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

(ii) Factoring commission expense

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

(iii) Other income and expenses

Other income and expenses are recognised on the accrual basis using the effective interest method.

(iv) Interest income other than on factoring transactions

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

(v) Interest expense on bank borrowings and debt securities

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

3 Significant accounting policies *(continued)*

(m) Income tax

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

(i) Current tax

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

(ii) Deferred tax

Deferred tax is recognised 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 recognised for:

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

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

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

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

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

(n) New standards and interpretations not yet adopted as at 31 December 2013

A number of new standards, amendments to standards and interpretations are issued but not effective for annual period ending on 31 December 2013, and have not been applied in preparing these financial statements. None of these will have an affect on the financial information of the Company, with the exception of:

IFRS 9 Financial Instruments (2010), IFRS 9 Financial Instruments (2009)

IFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under IFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. IFRS 9 (2010) introduces additional changes relating to financial liabilities. The IASB currently has an active project to make limited amendments to the classification and measurement requirements of IFRS 9 and add new requirements to address the impairment of financial assets and hedge accounting.

IFRS 9 (2010) and (2009) are effective for annual periods beginning on or after 1 January 2015, with early adoption permitted. The adoption of these standards is expected to have an impact on the Company's financial assets, but no impact on the Company's financial liabilities.

.

3 Significant accounting policies *(continued)*

(n) New standards and interpretations not yet adopted as at 31 December 2013 *(continued)*

Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32)

The amendments to IAS 32 clarify the offsetting criteria in IAS 32 by explaining when an entity currently has a legally enforceable right to set-off and when gross settlement is equivalent to net settlement. The amendments are effective for annual periods beginning on or after 1 January 2014 and interim periods within those annual periods. Early application is permitted. The adoption of these standards is expected to have an impact on the Company's financial assets, but no impact on the Company's financial liabilities.

4 Determination of fair values

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

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

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

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

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

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

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

Finance lease payables are considered to approximate their respective carrying values since they were recognized at the reporting date.

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

5 Administrative expenses

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

	2013	**2012**
Rent expenses	1,376,811	1,307,045
Consultancy expenses	796,952	537,672
Travelling expenses	542,702	554,380
Communication expenses	434,828	457,984
Legal and court expenses	302,624	395,215
Subscription expenses	276,108	208,887
Advertising expenses	251,873	2,145,690
Office supplies expenses	137,875	561,860
Maintenance and repair expenses	120,348	169,735
Taxes and duties other than on income	57,144	514,939
Others	1,537,510	250,482
	5,834,775	**7,103,889**

6 Personnel expenses

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

	2013	**2012**
Salary expenses	12,850,598	12,099,446
Board of directors salary expenses	5,756,290	5,315,028
Social security premium expenses	1,263,247	1,590,783
Meal expenses	787,790	655,985
Employee termination indemnity	410,422	242,462
Other	277,939	8,893
	21,346,286	**19,912,597**

7 Taxation

In Turkey, corporate income tax is levied at the rate of 20% (2012: 20%) on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes.

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

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

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

7 Taxation *(continued)*

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

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

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

	2013	2012
Current tax expense		
Current year	1,565,867	(3,490,132)
Tax correction of prior year	--	(337,142)
	1,565,867	**(3,827,274)**
Deferred tax expense/(benefit)		
Origination and reversal of temporary differences	(246,893)	645,108
	(246,893)	**645,108**
Income tax expense	**1,318,974**	**3,182,166**

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

	2013		2012	
	Amount	**%**	**Amount**	**%**
Profit for the year	7,549,332		12,321,199	
Total income tax expense	(1,318,974)		(3,182,166)	
Profit excluding income tax	8,868,306		15,503,365	
Income tax using the domestic tax rate	(1,773,661)	(20)	(3,100,673)	(20)
Non-taxable expenses	58,503	--	26,674	--
Tax correction of prior year	--	--	(337,141)	(2)
Tax exemptions	--	--	9,245	--
Other permanent differences	396,184	4	219,729	1
Income tax expense	**(1,318,974)**	**(16)**	**(3,182,166)**	**(21)**

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

The current tax liabilities as at 31 December 2013 and 2012 comprised the following:

	31 December2013	31 December 2012
Taxes on income	1,565,867	3,529,386
Less: Corporation taxes paid in advance	(1,330,997)	(1,478,703)
Current tax liabilities	**234,870**	**2,050,683**

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

7 Taxation *(continued)*

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

Deferred tax assets and deferred tax liabilities as at 31 December 2013 and 2012 were attributable to the items detailed in the table below:

	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
	Assets		Liabilities		Net	
Factoring receivables	1,719,630	1,845,738	--	--	1,719,630	1,845,738
Property and equipment and intangible assets	--	377,293	(893)	--	(893)	377,293
Deferred commission income	440,801	571,397	--	--	440,801	571,397
Valuation difference between carrying values and tax base of property and equipment(*)	--	--	(95,786)	(650,034)	(95,786)	(650,035)
Loans and borrowings	10,342	--	--	(319,290)	10,342	(319,290)
Employee benefits	334,404	359,736	--	--	334,404	359,736
Others	--	128,975	--	--	--	128,975
Deferred tax assets/(liabilities)	**2,505,177**	**3,283,139**	**(96,679)**	**(969,324)**	**2,408,498**	**2,313,814**

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

The Company sold its headquarters office building to a leasing company and leased it back on 31 December 2013. Under the Article 34 of the Corporate Tax Law numbered 6322, 100% tax exemption is applied to gains from sale and leaseback of immovable property from a leasing company in the context of Financial Leasing, Factoring and Financing Companies Act.

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

The movement of deferred assets / (liabilities) for the years ended 31 December 2013 and 2012 were as follows:

	31 December 2013	31 December 2012
Balance at 1 January	**2,313,814**	**(137,309)**
Deferred tax benefit recognised in profit or loss	246,893	645,108
Deferred tax (expense)/ benefit recognised in other comprehensive income	(152,209)	1,806,015
	2,408,498	**2,313,814**

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

8 Cash and cash equivalents

As at 31 December 2013 and 2012, cash and cash equivalents comprised the following:

	31 December 2013	31 December 2012
Cash at banks		
- Demand deposits	912,970	942,586
Cash on hand	17,184	11,232
	930,154	**953,818**

As at 31 December 2013 and 2012, there is no time deposit.

As at 31 December 2013 and 2012, there is no blockage on cash and cash equivalents.

9 Factoring receivables and payables

As at 31 December 2013 and 2012, factoring receivables comprised the following:

	31 December 2013	31 December 2012
Domestic factoring receivables	606,334,585	642,581,804
Doubtful receivables	21,102,522	19,747,362
Factoring receivables, gross	**627,437,107**	**662,329,166**
Provision for impairment in doubtful receivables	(21,102,487)	(19,747,362)
Unearned income on factoring transactions	(22,187,831)	(21,079,484)
Factoring receivables, net	**584,146,789**	**621,502,320**

As at 31 December 2013 and 2012, maturity of factoring receivables excluding unearned income and doubtful receivables are as follows:

	31 December 2013	31 December 2012
Up to 1 month	141,831,762	182,594,400
1 month to 3 months	249,524,440	279,715,061
3 months to 1 year	209,690,906	179,271,109
1 year and over	5,287,477	1,001,234
	606,334,585	**642,581,804**

The Company has obtained the following collaterals for its receivables at 31 December 2013 and 2012:

	31 December 2013	31 December 2012
Customer notes and cheques obtained as collateral	606,320,359	642,946,750

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

9 Factoring receivables and payables *(continued)*

As at 31 December 2013 and 2012, maturity profile of the doubtful receivables and the specific allowance for them are as follows:

	31 December 2013		31 December 2012	
	Doubtful receivables	**Specific allowance**	**Doubtful receivables**	**Specific allowance**
Past due 1-3 months	2,543,777	2,543,742	3,186,905	3,186,905
Past due 3-6 months	1,182,508	1,182,508	1,446,546	1,446,546
Past due 6-12 months	4,874,825	4,874,825	5,452,535	5,452,535
Past due over 1 year	12,501,412	12,501,412	9,661,376	9,661,376
Total	**21,102,522**	**21,102,487**	**19,747,362**	**19,747,362**

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

	31 December 2013	31 December 2012
Balance at 1 January	19,747,362	11,826,418
Net change	1,504,017	8,003,724
- *Allowance for the year*	*8,237,432*	*13,352,409*
- *Recoveries of amounts previously provided for*	*(6,733,415)*	*(5,348,685)*
Written-off during the year	(148,892)	(82,780)
Balance at year end	**21,102,487**	**19,747,362**

As at 31 December 2013, factoring payables amounting to TL 580,145 represent the amounts collected on behalf of but not yet paid to the factoring customers at the statement of financial position date (31 December 2012: TL 1,002,509).

10 Property and equipment

Movements of property and equipment for the years ended 31 December were as follows:

	Buildings	Motor vehicles	Furniture and fixtures	Leasehold improvements	Total
Cost					
Balance at 1 January 2012	15,189,157	142,432	1,708,608	590,195	17,630,392
Additions	67,665	--	104,051	10,847	182,563
Revaluation	608,780	--	--	--	608,780
Disposals	--	(142,432)	(214,443)	(392,774)	(749,649)
Balance at 31 December 2012	**15,865,602**	**--**	**1,598,216**	**208,268**	**17,672,086**
Balance at 1 January 2013	15,865,602	--	1,598,216	208,268	17,672,086
Additions	19,085,000	--	168,718	38,175	19,291,893
Revaluation	6,145,785	--	--	--	6,145,785
Disposal	(19,080,387)	--	(346,160)	(12,148)	(19,438,695)
Balance at 31 December 2013	**22,016,000**	--	**1,420,774**	**234,295**	**23,671,069**

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

10 Property and equipment *(continued)*

	Buildings	Motor vehicles	Furniture and fixtures	Leasehold improvements	Total
Accumulated Depreciation					
Balance at 1 January 2012	--	(142,432)	(1,073,875)	(471,275)	(1,687,582)
Depreciation for the year	(111,671)	--	(263,866)	(54,971)	(430,508)
Revaluation	111,671	--	--	--	111,671
Disposals	--	142,432	214,443	392,774	749,649
Balance at 31 December 2012	**--**	**--**	**(1,123,298)**	**(133,472)**	**(1,256,770)**
Balance at 1 January 2013	--	--	(1,123,298)	(133,472)	(1,256,770)
Depreciation for the year	--	--	(123,988)	(17,871)	(141,859)
Disposals	--	--	346,160	11,948	358,108
Balance at 31 December 2013	**--**	**--**	**(901,126)**	**(139,395)**	**1,040,521)**
Carrying amounts					
At 1 January 2012	**15,189,157**	**--**	**634,733**	**118,920**	**15,942,810**
At 31 December 2012	**15,865,602**	**--**	**474,918**	**74,796**	**16,415,316**
At 31 December 2013	**22,016,000**	**--**	**519,648**	**94,900**	**22,630,548**

The Company engaged Adres Gayrimenkul Değerleme ve Danışmanlık A.Ş., a Capital Market Board ("CMB") accredited independent valuer, to determine the fair value of its buildings. Fair value is determined by reference to market based evidence. This means that valuations performed by the valuer are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The last valuation was done in December 2013.

As at 31 December 2013, total amount of insurance coverage on property and equipment is TL 5,571,540 (31 December 2012: TL 5,571,540).

At 31 December 2013, the net carrying amount of finance leased building is TL 19,085,000 (31 December 2012: nil).

The Company sold its head office building on 31 December 2013 with sell and lease back agreement and leased back the head office building on 31 December 2013 from a leasing company. Terms of the leasing agreement is one year. After one year, ownership of the property will pass to the Company.

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

11 Intangible assets

Movements of intangible assets for the years ended 31 December are as follows:

	Software
Cost	
Balance at 1 January 2012	380,813
Additions	86,407
Balance at 31 December 2012	**467,220**
Balance at 1 January 2013	467,220
Additions	82,421
Disposals	(2,742)
Balance at 31 December 2013	**546,899**
Accumulated Amortisation	
Balance at 1 January 2012	(230,739)
Amortisation for the year	(59,202)
Balance at 31 December 2012	**(289,941)**
Balance at 1 January 2013	(289,941)
Amortisation for the year	(129,606)
Disposals	2,742
Balance at 31 December 2013	**(416,805)**
Carrying amounts	
At 1 January 2012	**150,074**
At 31 December 2012	**177,279**
At 1 December 2013	**130,094**

As at 31 December 2013, the Company does not have any intangible assets generated within the Company.

12 Other assets and prepaid expenses

As at 31 December 2013 and 2012, other assets and prepaid expenses comprised the following:

	31 December 2013	**31 December 2012**
Receivables for legal cases	432,809	--
Advances given	266,586	740,359
Prepaid expenses	186,202	134,625
Receivables from tax authority	--	2,455,313
Other	328,957	165,692
	1,214,554	**3,495,989**

12 Other assets and prepaid expenses *(continued)*

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

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

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

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

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

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

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

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

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

13 Loans and borrowings

As at 31 December 2013 and 2012, loans and borrowings comprised the following:

	31 December 2013				
			TL amount		
	Original amount	Nominal interest rate (%)	Up to 1 year	1 year and over	Total loans and borrowings
Bank Loans-TL	378,244,194	8.60-12.10	200,652,327	177,591,867	378,244,194
Bank Loans-USD	2,253,198	4.85	6,611,784	--	6,611,784
Bank Loans-Euro	6,821,998	4.85	14,533,585	--	14,533,585
Total			**221,797,696**	**177,591,867**	**399,389,563**

	31 December 2012				
			TL amount		
	Original Amount	Nominal interest rate (%)	Up to 1 year	1 year and over	Total loans and borrowings
Bank Loans-TL	396,449,493	5.08-12.57	202,159,503	194,289,990	396,449,493
Bank Loans-USD	4,229,936	4.00	7,540,284	--	7,540,284
Bank Loans-Euro	624,551	3.00	1,468,756	--	1,468,756
Total			**211,168,543**	**194,289,990**	**405,458,533**

14 Debt securities

As at 31 December 2013 and 2012, debt securities comprised the following:

	31 December 2013	31 December 2012
Bonds issued	91,003,692	149,069,326
	91,003,692	**149,069,326**

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

ISIN CODE	Issue date	Issued Nominal Amount(TL)	Maturity date	Sales type	Coupon period payment
TRSLDFK51415	8 May 2012	40,000,000	8 May 2014	Public	Quarterly
TRSLDFK21418	22 November 2012	30,000,000	21 February 2014	Public	Monthly
TRSLDFK61513	29 June 2012	20,000,000	29 June 2015	Private	Quarterly

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

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

15 Finance lease payables

As at 31 December 2013 and 2012, financial lease liabilities comprised the following:

	31 December 2013	31 December 2012
Future minimum lease payments	21,143,577	--
Interest	(2,160,326)	--
	18,983,251	**--**

The Company sold its head office building on 31 December 2013 with sell and lease back agreement and leased back the head office building on 31 December 2013 from a leasing company. Terms of the leasing agreement is one year. After one year, ownership of the property will pass to the Company.

16 Other liabilities

As at 31 December 2013 and 2012, other liabilities comprised the following:

	31 December 2013	31 December 2012
Taxes and duties other than on income	1,275,179	1,189,519
Payables to suppliers	592,569	366,059
Others	21,925	40,833
	1,889,673	**1,596,411**

17 Employee benefits

As at 31 December 2013 and 2012, employee benefits comprised the following:

	31 December 2013	31 December 2012
Reserve for employee severance payments	1,003,525	1,006,395
Vacation pay liability	668,495	792,284
	1,672,020	**1,798,679**

Reserve for employee severance payments

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay, maximum of TL 3,254 at 31 December 2013 (31 December 2012: TL 3,033) 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.

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

17 Employee benefits *(continued)*

Reserve for employee severance payments *(continued)*

International Accounting Standard No. 19 ("IAS 19") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The reserve has been calculated by estimating the present value of future probable obligation of the Company arising from the retirement of the employees. Accordingly, the following statistical assumptions were used in the calculation of the following liability as at 31 December 2013 and 2012:

	31 December 2013	**31 December 2012**
Discount rate	4.06%	2.36%
Expected rate of salary/limit increase	6.00%	5.10%
Turnover rate to estimate the probability of retirement	94%	96%

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

	31 December 2013	**31 December 2012**
Balance at 1 January	1,006,395	942,983
Interest cost	80,659	18,420
Service cost	329,763	228,990
Payments	(131,172)	(179,050)
Actuarial gain /loss (*)	(282,120)	(4,948)
Balance at the end of the year	**1,003,525**	**1,006,395**

(*) Starting from 1 January 2013, actuarial gains /losses are recognised in other comprehensive income.

Vacation pay liability

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

For the years ended 31 December, movements in the vacation pay liability were as follows:

	31 December 2013	**31 December 2012**
Balance at 1 January	792,285	507,108
Increase during the year	--	285,176
Reversal of provision	(123,790)	--
Balance at the end of the year	**668,495**	**792,284**

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

18 Equity

18.1 Paid-in capital

As at 31 December 2013 and 2012, the nominal value of the Company's authorised and paid-in share capital amounts to TL 30,000,000 comprising 30,000,000 registered shares of par value of 1 TL. Adjustment to share capital represents the restatement effect of the contributions to share capital equivalent to purchasing power of TL at 31 December 2005.

As at 31 December 2013 and 2012, the composition of the authorised and paid-in share capital was as follows:

	31 December 2013					31 December 2012	
	Share (%)	Group A	Group B	Group C	Total	Share (%)	Total
Yuda Elenkave	39.95	20,000	11,965,000	--	11,945,130	39.82	11,945,130
Nedim Menda	34.85	10,000	10,445,000	--	10,455,000	34.85	10,455,000
Jak Sucaz	10.20	10,000	3,050,000	--	3,060,000	10.20	3,060,000
Raşel Elenkave	5.10	10,000	1,520,000	--	1,530,000	5.11	1,530,000
Credit Suisse Investments (Netherlands) B.V.	9.90	--	--	2,970,000	2,970,000	9.90	2,970,000
Can Güney	--	--	--	--	13,290	0.04	13,290
Ayşe Bayoğlu	--	--	--	--	13,290	0.04	13,290
İbrahim Betil	--	--	--	--	13,290	0.04	13,290
Nominal share capital	**100**	**50,000**	**26,980,000**	**2,970,000**	**30,000,000**	**100**	**30,000,000**
Adjustment to share capital					5,873,808		5,873,808
Total paid-in share capital					**35,873,808**		**35,873,808**

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

18.2 Legal reserves

The legal reserves are established by annual appropriations amounting to 5% of income disclosed in the Company's statutory accounts until it reaches 20% of paid-in share capital (first legal reserve). Without limit, a further 10% of dividend distributions in excess of 5% of paid-in capital are to be appropriated to increase legal reserves (second legal reserve). The first legal reserve is restricted and is not available for distribution as dividend unless it exceeds 50% of share capital. In the accompanying financial statements, the total of the nominal legal reserves is TL 4,693,078 at 31 December 2013 (31 December 2012: TL 4,154,587).

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

18 Equity (continued)

18.3 Revaluation surplus

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

For the years ended 31 December, movements in the asset surplus were as follows:

	31 December 2013	**31 December 2012**
Balance at 1 January	12,350,666	9,824,200
Revaluation on buildings	6,145,785	720,450
Tax effect (Note 7)	(95,785)	1,806,016
	18,400,666	**12,350,666**

18.3 Actuarial differences

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

19 Earnings per share

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

	31 December 2013	**31 December 2012**
Denominator:		
Weighted average number of shares	30,000,000	30,000,000
Numerator:		
Profit for the year	7,549,332	12,321,199
Basic and diluted profit per share	**0.25**	**0.41**

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

20 Financial instruments

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

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

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

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

Credit risk

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

	31 December 2013	**31 December 2012**
Factoring receivables	584,146,789	621,502,320
Other receivables	432,809	2,455,313
Cash and cash equivalents (*)	912,970	942,586
	585,492,568	**624,900,219**

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

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

20 Financial instruments *(continued)*

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

As at 31 December 2013 and 2012, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

As at 31 December 2013 and 2012, the breakdown of factoring receivables, excluding unearned income and doubtful receivables, by industrial groups was as follows:

	31 December 2013	**%**	**31 December 2012**	**%**
Textile	90,683,388	14	78,033,856	12
Iron and steel	83,235,396	13	86,868,239	14
Construction	57,844,635	10	61,354,262	10
Paper and printing	53,027,206	9	40,360,235	6
Trading	41,665,356	7	38,527,389	6
Machinery	33,410,690	6	23,837,509	4
Electrics and electronics	33,136,412	5	37,594,883	6
Food	32,827,804	5	43,715,129	7
Automotive	30,705,254	5	31,237,144	5
Chemicals	23,046,611	4	30,000,452	5
Rubber and plastics	22,534,833	4	38,124,182	6
Tourism	14,918,711	4	45,664,204	7
Wood products	13,156,367	2	7,058,471	1
Leather products	9,352,840	2	14,072,241	2
Agricultural products	6,540,923	1	13,610,957	2
Others	60,248,159	9	52,522,651	7
	606,334,585	**100**	**642,581,804**	**100**

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

20 Financial instruments *(continued)*

Liquidity risk

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

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

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

31 December 2013	Carrying amount	Contractual cash flows	3 months or less	3 to 12 months	1 to 5 years	Over 5 years
Non-derivative financial liabilities	**510,571,145**	**579,850,851**	**220,034,374**	**132,500,562**	**227,315,915**	**-**
Loans and borrowings	399,389,563	460,381,835	185,747,788	68,681,772	205,952,275	-
Factoring payables	580,145	580,145	580,145	-		-
Finance lease payables	18,983,251	21,160,000	540,000	20,620,000		-
Debt securities	91,003,692	97,114,377	32,551,947	43,198,790	21,363,640	-
Other payables	614,494	614,494	614,494	-	-	-

31 December 2012	Carrying amount	Contractual cash flows	3 months or less	3 to 12 months	1 to 5 years	Over 5 years
Non-derivative financial liabilities	**555,937,260**	**624,117,371**	**177,411,978**	**111,639,756**	**335,065,637**	**-**
Loans and borrowings	405,458,533	453,892,688	172,579,586	41,808,755	239,504,347	-
Debt securities	149,069,326	168,815,282	3,422,991	69,831,001	95,561,290	-
Factoring payables	1,002,509	1,002,509	1,002,509	-	-	-
Other payables	406,892	406,892	406,892	-	-	-

Market risk

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

Interest rate risk

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

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

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

20 Financial instruments *(continued)*

Interest rate risk *(continued)*

The tables below summarise average effective interest rates by major currencies for monetary financial instruments as at 31 December 2013 and 2012:

	31 December 2013			31 December 2012		
	USD (%)	Euro (%)	TL (%)	USD (%)	Euro (%)	TL (%)
Assets						
Factoring receivables	18.81	16.26	18.99	15.42	15.03	16.87
Liabilities						
Loans and borrowings	4.85	4.85	10.84	4.00	3.00	10.04
Debt securities	--	--	12.46	--	--	9.99

Interest rate profile

As at 31 December 2013 and 2012, the interest rate profiles of the interest-bearing financial instruments were as follows:

	Carrying amount	
	31 December 2013	31 December 2012
Fixed rate instruments		
Factoring receivables, net	584,146,789	621,502,320
Finance lease payables	(18,983,251)	--
Loans and borrowings	(100,440,835)	(57,695,000)
Variable rate instruments		
Loans and borrowings	(298,948,728)	(347,763,533)
Debt securities	(91,003,692)	(149,069,326)

Fair value sensitivity analysis for fixed rate instruments

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

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates as at 31 December 2013 and 2012 would have increased or decreased profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity(*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
31 December 2013				
Variable rate instruments	(747,583)	747,583	(747,583)	747,583
31 December 2012				
Variable rate instruments	(871,554)	871,554	(871,554)	871,554

(*) Excluding profit or loss effects.

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

20 Financial instruments *(continued)*

Foreign currency risk

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

As at 31 December 2013 and 2012, the currency risk exposures were as follows (TL equivalents):

	31 December 2013		
	USD	**Euro**	**Total**
Cash and cash equivalents	544,994	271,849	816,843
Factoring receivables	15,618,128	6,902,439	22,520,567
Other assets	2,567	--	2,567
Loans and borrowings	(14,533,585)	(6,611,784)	(21,145,369)
Gross statement of financial position exposure	**1,632,104**	**562,504**	**2,194,608**
Net exposure	**1,632,104**	**562,504**	**2,194,608**

	31 December 2012		
	USD	**Euro**	**Total**
Factoring receivables	3,930,768	1,233,576	5,164,344
Loans and borrowings	(7,540,284)	(1,468,756)	(9,009,040)
Gross statement of financial position exposure	**(3,609,516)**	**(235,180)**	**(3,844,696)**
Net exposure	**(3,609,516)**	**(235,180)**	**(3,844,696)**

The following significant exchange rates applied year ended 31 December 2013 and 2012:

	Average rate		**Reporting date**	
	31 December 2013	**31 December 2012**	**31 December 2013**	**31 December 2012**
USD	1.9033	1.7918	2.1343	1.7826
Euro	2.5290	2.3038	2.9365	2.3517

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

20 Financial instruments *(continued)*

Foreign currency risk *(continued)*

Sensitivity analysis

A 10 percent strengthening in TL against the following currencies at 31 December 2013 and 2012 would have increased equity and profit or loss by the amounts shown below.

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

31 December 2013	**Equity**	**Profit or loss**
USD	163,210	163,210
Euro	56,250	56,250
	219,460	**219,460**

31 December 2012	**Equity**	**Profit or loss**
USD	(360,952)	(360,952)
Euro	(23,518)	(23,518)
	(384,470)	**(384,470)**

A 10 percent depreciation of the TL against the foreign currencies as at 31 December 2013 and 2012 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Capital management

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

Fair Value

As at 31 December 2013 and 2012, the carrying amounts and fair values of financial instruments were as follows:

	31 December 2013		**31 December 2012**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Cash at banks	930,154	930,154	953,818	953,818
Factoring receivables	584,146,789	584,146,789	621,502,320	621,502,320
Other receivables	432,809	432,809	2,455,313	2,455,313
Financial liabilities				
Loans and borrowings	399,389,563	400,294,286	405,458,533	405,458,533
Finance lease payables	18,983,251	18,983,251	--	--
Debt securities	91,003,692	91,261,239	149,069,326	151,567,475
Factoring payables	580,145	580,145	1,002,509	1,002,509
Other payables	614,494	614,494	406,892	406,892

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

21 Commitments and contingencies

Commitments and contingent liabilities arising in the ordinary course of business comprised the following items as at 31 December 2013 and 2012:

	31 December 2013	31 December 2012
Letters of guarantee		
Given to banks	271,300	263,800

22 Related party disclosures

As at 31 December 2013 and 2012, related party balances were as follows:

	31 December 2013	31 December 2012
Loans and borrowings		
Credit Suisse AG London Branch	220,557,652	240,091,700
	220,557,652	**240,091,700**

The following related party transactions were listed for the years ended 31 December:

	31 December 2013	31 December 2012
Interest expense		
Credit Suisse AG London Branch	28,657,154	26,964,777
	28,657,154	**26,964,777**

For the purpose of accompanying financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and investments are considered and referred to as the related parties. Total benefit of key management for the year ended 31 December 2013 was amounting to TL 5,756,290 (31 December 2012: TL 5,315,028).

23 Subsequent event

On 20 January 2014, the Company applied to BRSA and CMB to obtain the necessary permissions for public offering of shares of the existing shareholders.