LİDER FAKTORİNG A.Ş.
AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL
STATEMENTS FOR THE PERIOD
ENDED 30 JUNE 2019 AND
INDEPENDENT AUDITOR’S REPORT

Report on Review of Interim Financial Information

To the Shareholders of Lider Faktoring A.Ş.

Introduction

We have reviewed the accompanying interim consolidated statement of financial position of Lider Faktoring A.Ş. ("the Company") and its subsidiaries ("the Group") as at 30 June 2019 and the interim consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards (IFRSs). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standards 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 International Standards on Auditing and consequently, it 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.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying interim financial information does not present fairly, in all material respects, the financial position of the Company as at 30 June 2019, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards.

Other Matter

The consolidated financial statements of the Group as at and for the year ended 31 December 2018 and for the period ended 30 June 2018 were audited by another auditor who expressed an unmodified opinion and an unmodified conclusion on those statements on 16 March 2018 and 11 September 2018, respectively.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

İstanbul, 10 October 2019

	CONTENTS	PAGES
	CONSOLIDATED STATEMENT OF FINANCIAL POSITION	**1**
	CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME	**2**
	CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	**3**
	CONSOLIDATED STATEMENT OF CASH FLOWS	**4**
	NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	**5-47**
NOTE 1	GENERAL INFORMATION	5
NOTE 2	BASIS OF PREPARATION	6-10
NOTE 3	SIGNIFICANT ACCOUNTING POLICIES	10-19
NOTE 4	SEGMENT INFORMATION	19
NOTE 5	DETERMINATION OF FAIR VALUES	20-21
NOTE 6	OPERATING EXPENSES	21
NOTE 7	PERSONNEL EXPENSES	21
NOTE 8	TAXATION	22-24
NOTE 9	CASH AND CASH EQUIVALENTS	25
NOTE 10	FACTORING RECEIVABLES AND FACTORING PAYABLES	25-27
NOTE 11	CREDIT IMPAIRED ASSETS	27-29
NOTE 12	PROPERTY AND EQUIPMENT	30
NOTE 13	INTANGIBLE ASSETS	31
NOTE 14	OTHER ASSETS AND PREPAID EXPENSES	31
NOTE 15	ASSETS HELD FOR SALE	32
NOTE 16	BORROWINGS	32-33
NOTE 17	DEBT SECURITIES ISSUED	33-34
NOTE 18	OTHER LIABILITIES	34
NOTE 19	EMPLOYEE BENEFITS	35-36
NOTE 20	EQUITY	36-37
NOTE 21	EARNINGS PER SHARE	37
NOTE 22	FINANCIAL INSTRUMENTS	37-46
NOTE 23	COMMITMENTS AND CONTINGENCIES	46
NOTE 24	RELATED PARTY DISCLOSURES	46
NOTE 25	DISCLOSURES OF INTERESTS IN OTHER ENTITIES	47
NOTE 26	EVENTS AFTER THE REPORTING PERIOD	47

LİDER FAKTORİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

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

	Notes	Reviewed 30 June 2019	Audited 31 December 2018
ASSETS			
Cash and cash equivalents	9	30.389	23.084
Factoring receivables	10	690.878	774.521
Credit impaired assets	11	117.686	120.243
Property and equipment, net	12	68.494	68.667
Intangible assets	13	376	772
Deferred tax assets	8	5.520	5.308
Assets held for sale	15	610	818
Current tax assets	8	32	427
Other assets and prepaid expenses	14	1.777	1.861
Total assets		**915.762**	**995.701**
LIABILITIES			
Borrowings	16	709.024	735.274
Debt securities issued	17	28.786	92.382
Factoring payable	10	2.165	2.726
Income taxes payable	8	1.390	23
Other liabilities	18	4.272	3.485
Provisions for employee benefits	19	6.601	6.242
Total liabilities		**752.238**	**840.132**
EQUITY			
Share capital	20	50.874	50.874
Revaluation surplus, net of tax	20	47.101	47.101
Re-measurement of employment termination benefits, net of tax		(1.337)	(1.592)
Legal reserves	20	12.303	10.949
Retained earnings		54.583	48.237
Total equity		**163.524**	**155.569**
Total liabilities and equity		**915.762**	**995.701**

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

LİDER FAKTORİNG A.Ş. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30 JUNE 2019

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

	Notes	Reviewed 1 January - 30 June 2019	Reviewed 1 January - 30 June 2018
Interest income			
Interest income on factoring receivables		109.639	132.032
Interest income from banks and reverse repurchases		1.507	50
Total interest income		**111.146**	**132.082**
Interest expenses			
Interest expenses on borrowings (-)		(85.596)	(76.083)
Interest expenses on debt securities issued (-)		(6.175)	(29.875)
Total interest expense		**(91.771)**	**(105.958)**
Net interest income		**19.375**	**26.124**
Fee and commission income on factoring transactions		5.381	4.119
Fee and commission expenses on banking transactions (-)		(1.573)	(2.173)
Fee and commission income, net		**3.808**	**1.946**
Income from credit impaired assets, net	11	19.722	23.785
Provision for impairment of factoring receivables (-)	10	(5.113)	(1.105)
Recoveries from impaired factoring receivables	10	3.198	815
Personnel expenses (-)	7	(16.481)	(16.897)
Operating expenses (-)	6	(8.298)	(9.218)
Other operating income/(expenses), net		(4.559)	(2.460)
Profit before income tax		**11.652**	**22.990**
Income tax expense (-)	8	(3.952)	(5.167)
Profit for the year		**7.700**	**17.823**
Attributable to			
Equity holders of the Company	21	7.700	17.823
Earnings per share			
Earnings per share (TL)	21	0,17	0,40
OTHER COMPREHENSIVE INCOME			
Items that will not be reclassified to profit or loss:			
Re-measurement of post-employment benefits obligation, net of tax	19	255	(182)
Other comprehensive income / (expenses)		**255**	**(182)**
Total comprehensive income		**7.955**	**17.641**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2019

(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**	**Total equity**
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 Reviewed	**30.000**	**5.874**	**33.447**	**(1.173)**	**10.949**	**70.849**	**149.946**
Balances at 1 January 2019	**45.000**	**5.874**	**47.101**	**(1.592)**	**10.949**	**48.237**	**155.569**
Transfer to legal reserves	-	-	-	-	1.354	(1.354)	-
Total comprehensive income	-	-	-	255	-	7.700	7.955
- Profit for the year	-	-	-	-	-	*7.700*	*7.700*
- Other comprehensive income	-	-	-	*255*	-	-	*255*
Balances at 30 June 2019 Reviewed	**45.000**	**5.874**	**47.101**	**(1.337)**	**12.303**	**54.583**	**163.524**

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2019

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

	Notes	Reviewed 1 January - 30 June 2019	Reviewed 1 January - 30 June 2018
Net profit for the period		**7.700**	**17.823**
Adjustments for:			
Depreciation and amortization	12, 13	623	337
Provision for employee severance payments	7	825	521
Provision/reversal for unused vacation	19	48	(115)
Net interest income		(19.982)	(26.124)
Income tax expense	8	3.952	5.167
Provision for doubtful receivables	10	5.113	1.105
Bonus provision	19	160	230
Effect of credit adjusted net present value calculation	11	(19.722)	(23.785)
Provision for credit impaired assets	11	5.387	4.090
Changes in operating assets and liabilities			
Change in factoring receivables and credit impaired assets		(34.759)	(397.340)
Interest received		109.639	132.031
Collection from credit impaired assets	11	16.892	24.770
Change in other assets		(2.477)	(865)
Change in factoring payables		(561)	62
Change in other liabilities		1.641	(13)
Employee severance paid (-)	19	(223)	(95)
Income taxes paid (-)		(3.240)	(4.464)
Purchase of credit impaired assets	11	-	(7.350)
Net cash generated by / (used in) operating activities		**71.016**	**(274.015)**
Investing activities:			
Purchase of property and equipment and intangible assets (-)	12, 13	(324)	(2.600)
Sale of property and equipment and intangible assets	12, 13	270	-
Net cash used in investing activities		**(54)**	**(2.600)**
Financing activities:			
Interest paid (-)		(105.398)	(84.420)
Net cash flow provided from borrowings and debt securities issued		41.134	357.624
Net cash provided from / (used in) financing activities		**(64.264)**	**273.204**
Net increase / (decrease) in cash and cash equivalents		**6.698**	**(3.411)**
Cash and cash equivalents at 1 January	9	23.084	8.618
Cash and cash equivalents at period end	**9**	**29.782**	**5.207**

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 Trade Registry Gazette on 10 July 2013.

One of the existing shareholders sold 15% of the Company's shares in an initial public offering made in 2014 and the shares started floating on Istanbul Stock Exchange ("ISE") at 19 June 2014. As at 30 June 2019 the shares are traded in ISE.

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 was 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 Trade Registry Gazette No. 8319 on 14 May 2013. Destek Varlık, which obtained 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.

The Company's subsidiary Destek Varlık Yönetim A.Ş.'s tradename of "Destek" has been removed according to the final decision of Istanbul 9th Commercial Court of first instance 2015/50 E.-2016/668 K. The title of the company has been changed to "Deren Varlık Yönetim A .Ş." in the Extraordinary General Assembly meeting dated 8 August 2019 by publishing in the Trade Registry Gazette dated 10 July 2019.

The Company has applied to BRSA for establishing an asset management company with the name of Denge Varlık Yönetim A.Ş. ("Denge Varlık","subsidiary") as of 30 July 2018 and BRSA has granted the establishment license on 4 December 2018. Denge Varlık was established on 2 May 2019 and decision to establishment was published on 8 May 2019 in the Trade Registry Gazette No. 9824. Within the framework of Article 143 of Banking Law No. 5411 and Article 6 (4) of the Regulation on the Establishment and Operation Principles of Asset Management Companies, the process of granting an operating permit continues and Denge Varlık has not started to operate as of the reporting date.

In terms of consolidated financial statements, Lider Faktoring A.Ş. and its consolidated subsidiaries, Deren Varlık and Denge Varlık, are jointly described as the "Group". The Group has 178 employees as at 30 June 2019 (31 December 2018: 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 subsidiaries 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.

IFRS 16 Leases ("IFRS 16") which is in effect starting from 1 January 2019 has been evaluated by Company's management. Management has concluded that IFRS 16 has no major impact on the Group's consolidated financial statements. Effect of IFRS 16 will be evaluated in the following periods and presentation of the effect will be revaluated on the Group's consolidated financial statements in the following periods.

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) Effects of changes in accounting policies

As of 30 June 2019, TFRS 16 Leases standard did not have a significant impact on the Group's consolidated financial statements.

The impact assessment of TFRS 16 Leases standard will be performed in the following periods and the Group will re-evaluate the presentation in the statement of financial position and profit and loss.

(d) 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.

2 - BASIS OF PREPARATION (cont'd)

(d) Use of estimates and judgements (cont'd)

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the period ending 30 June 2019 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 Expected Credit Loss ("ECL") calculations are outputs of complex models with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies.

Determination of net present value of credit impaired assets

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

The Group estimates future cash flows for its 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 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 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 credit impaired assets. The Group has estimated a total of TL 183,844 undiscounted credit impaired assets for the period between 2019 - 2025 (31 December 2018: TL 195,006). The discounted carrying values of the related future cash flows equal to TL 117,686 and TL 120,243 as at 30 June 2019 and 31 December 2018, respectively. Further details regarding to the Group's accounting policies and assumptions regarding to the credit impaired assets are explained in Note 3 (i) and in Note 11.

Deferred taxes

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from deductible temporary differences, all of which could reduce taxable income in the future. The Group has recognized deferred tax assets because it is apparent that taxable profit will be available sufficient to recognize deferred tax assets.

(e) 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 reclassified and significant changes are disclosed if required.

(f) Accounting in hyperinflationary economies

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

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

2 - BASIS OF PREPARATION (cont'd)

(g) Segment reporting

The Group provides services in the factoring and debt management of credit impaired assets portfolios fields in Turkey as at 30 June 2019.

As at 30 June 2019, segment reporting is prepared based on factoring and debt management of credit impaired assets services. The debt management of credit impaired assets service's impact on the Group's operating results for the period ending 30 June 2019 is represented in Note 4.

(h) New and amended International Financial Reporting Standards

i) Amendments to IFRSs that are mandatorily effective from 2019 year

IFRS 16	*Leases*
IFRS Interpretation 23	*Uncertainty over Income Tax Treatments*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to IAS 19 Employee Benefits	*Plan Amendment, Curtailment or Settlement*
Annual Improvements to IFRS Standards 2015–2017 Cycle	*Amendments to IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income Taxes and IAS 23 Borrowing Costs*

IFRS 16 *Leases*

General impact of application of IFRS 16 Leases

IFRS 16 provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements for both lessors and lessees. IFRS 16 supersedes the current lease guidance including IAS 17 Leases and the related Interpretations for accounting periods beginning on or after 1 January 2019.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17.

Impact of the new definition of a lease

The Group made use of the practical expedient available on transition to IFRS 16 not to reassess whether a contract is or contains a lease.

The change in definition of a lease mainly relates to the concept of control. IFRS 16 distinguishes between leases and service contracts on the basis of whether the use of an identified asset is controlled by the customer. Control is considered to exist if the customer has:

- The right to obtain substantially all of the economic benefits from the use of an identified asset; and
- The right to direct the use of that asset.

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

2 - BASIS OF PREPARATION (cont'd)

(h) New and amended International Financial Reporting Standards (cont'd)

i) Amendments to IFRSs that are mandatorily effective from 2019 year (cont'd)

Impact on Lessee Accounting

Finance leases

The main differences between IFRS 16 and IAS 17 with respect to assets formerly held under a finance lease is the measurement of the residual value guarantees provided by the lessee to the lessor. IFRS 16 requires that the Group recognises as part of its lease liability only the amount expected to be payable under a residual value guarantee, rather than the maximum amount guaranteed as required by IAS 17.

As of 1 January 2019, the effect of IFRS 16 on the Group's consolidated financial statements is disclosed in the Note to the Effects of Changes in Accounting Policies.

IFRS Interpretation 23 *Uncertainty over Income Tax Treatments*

This interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12.

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

This amendment clarifies that an entity applies IFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

Amendments to IAS 19 Employee Benefits Plan Amendment, Curtailment or Settlement

The amendments clarify that the past service cost (or of the gain or loss on settlement) is calculated by measuring the defined benefit liability (asset) using updated assumptions and comparing benefits offered and plan assets before and after the plan amendment (or curtailment or settlement) but ignoring the effect of the asset ceiling (that may arise when the defined benefit plan is in a surplus position).

Annual Improvements to IFRS Standards 2015–2017 Cycle

Annual Improvements to IFRS Standards 2015–2017 Cycle include amendments to IFRS 3 Business Combinations and IFRS 11 Joint Arrangements in when a party that participates in, but does not have joint control of, IAS 12 Income Taxes; income tax consequences of dividends in profit or loss, and IAS 23 Borrowing Costs in capitalized borrowing costs.

Other than IFRS 16, these standards, amendments and improvements have no impact on the consolidated financial position and performance of the Group.

ii) New and revised IFRSs in issue but not yet effective

The Group has not yet adopted the following standards and amendments and interpretations to the existing standards:

IFRS 17	*Insurance Contracts*
Amendments to IFRS 3	*Business Combinations*
Amendments to IAS 1	*Presentation of Financial Statements*
Amendments to IAS 8	*Accounting Policies, Changes in Accounting Estimates and Errors*

2 - BASIS OF PREPARATION (cont'd)

(h) New and amended International Financial Reporting Standards (cont'd)

ii) New and revised IFRSs in issue but not yet effective (cont'd)

IFRS 17 *Insurance Contracts*

IFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2021.

Amendments to IFRS 3 *Business Combinations*

The definition of "business" is important because the accounting for the acquisition of an activity and asset group varies depending on whether the group is a business or only an asset group. The definition of "business" in IFRS 3 Business Combinations standart has been amended. With this change:

- By confirming that a business should include inputs and a process; clarified that the process should be essential and that the process and inputs should contribute significantly to the creation of outputs.
- The definition of a business has been simplified by focusing on the definition of goods and services offered to customers and other income from ordinary activities.
- An optional test has been added to facilitate the process of deciding whether a company acquired a business or a group of assets.

Amendments to IAS 1 *Presentation of Financial Statements* and IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Material*

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

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

Subsidiaries

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

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.

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

3 - SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Consolidation principles (cont'd)

Subsidiaries (cont'd)

The table below shows the ratio of shares of subsidiaries of the Company as at 30 June 2019 and 31 December 2018:

Legal entity Non-listed in stock exchange:	Service line	Location	Share (%)	Net book value 30 June 2019	 31 December 2018
Deren Varlık Yönetim A.Ş.	Credit impaired assets management	Istanbul	100	22.358	22.743
Denge Varlık Yönetim A.Ş. (*)	Credit impaired assets management	Istanbul	100	20.000	-
Total				**42.358**	**22.743**

(*) Denge Varlık Yönetim A.Ş. operation permit issuance process continues with BDDK.

Accounting policies of subsidiaries have been changed wherever required 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.

(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

Classification and measurement

The Group measures its financial assets at amortized cost. The financial assets at amortized cost consist of factoring receivables, 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.

3 - SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Financial instruments (cont'd)

Classification and measurement (cont'd)

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.

A debt instrument is measured at FVOCI only 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 achieved by both collecting contractual cash flows and selling financial assets; 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.

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, credit impaired assets, and cash and cash equivalents.

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.

(d) Impairment of financial assets

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.

3 - SIGNIFICANT ACCOUNTING POLICIES (cont’d)

(d) Impairment of financial assets (cont’d)

Calculation of expected credit losses (cont’d)

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.

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.

3 - SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Impairment of financial assets (cont'd)

Calculation of expected credit losses (cont'd)

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.

Stage 3: Lifetime expected credit losses are recognized 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%.

Credit impaired assets: 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.

(e) 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.

(f) 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.

3 - SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(f) Property and equipment (cont'd)

(i) Recognition and measurement (cont'd)

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.

(g) 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.

(h) 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 (cont'd)

(i) 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.

Credit impaired assets, purchased from different established banks in Turkey and other financial institutions constitute the Group's credit impaired assets that are tracked. 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 the net present value of the credit impaired assets' expected collection projections and records them when risk, benefit and control transfers arise for barren credits obtained, in accordance with IFRS 9. Positive differences between credit portfolios' calculated collection projections' net present value and their carrying values are recognized as "Income from credit impaired assets" and negative differences are recorded under "Other operating income / (expenses)". At each reporting date, the Group reviews its estimations and judgements on determination of credit adjusted effective interest rate and net present value of the receivables from credit impaired assets.

Impairment of 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.

(j) 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.

3 - SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(j) Employee benefits (cont'd)

(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.

(k) 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.

(l) 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.

(m) Revenue and cost recognition

(i) Factoring interest and commission income

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

(ii) Commission expenses

Commission charges are recognized on the accrual basis.

(iii) Other income and expenses

Other income and expenses are recognized on an 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 for at amortised cost.

(v) Interest expenses on bank borrowings and debt securities

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

3 - SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(n) 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.

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.

(o) 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.

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

3 - SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(p) 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, Note 26.

4 – SEGMENT INFORMATION

The Group provides services in the factoring and debt management of credit impaired assets portfolios fields in Turkey as at 30 June 2019, 31 December 2018 and 30 June 2018.

30 June 2019	Factoring operations	Asset management operations	Elimination	Total
Operating segment assets	853.399	141.235	(78.872)	915.762
Operating segment liabilities	687.298	101.454	(36.514)	752.238
Interest income	111.146	-	-	111.146
Interest expenses (-)	(82.326)	(12.646)	3.201	(91.771)
Fee and commission income, net	3.808	-	-	3.808
Operating income/(expenses), net	(15.919)	7.589	(3.201)	(11.531)
Taxation (-)	(3.671)	(281)	-	(3.952)
Net profit	13.038	(5.338)	-	7.700

31 December 2018	Factoring operations	Asset management operations	Elimination	Total
Operating segment assets	907.155	123.108	(34.562)	995.701
Operating segment liabilities	754.189	97.762	(11.819)	840.132

30 June 2018	Factoring operations	Credit impaired assets	Elimination	Total
Interest income	132.082	-	-	132.082
Interest expenses (-)	(97.658)	(8.300)	-	(105.958)
Fee and commission income, net	1.946	-	-	1.946
Operating income/(expenses), net	(16.823)	11.743	-	(5.080)
Taxation (-)	(4.396)	(771)	-	(5.167)
Net profit	15.151	2.672	-	17.823

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

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 2019		31 December 2018	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Cash and cash equivalents	30.389	30.389	23.084	23.084
Factoring receivables	690.878	690.878	774.521	774.521
Credit impaired assets	117.686	117.686	120.243	120.243
Other receivables	1.777	1.777	1.861	1.861
Financial liabilities				
Bank borrowings	669.203	616.153	713.273	710.162
Lease liabilities	39.821	42.786	22.001	22.336
Debt securities issued	28.786	28.786	92.382	92.382
Factoring payables	2.165	2.165	2.726	2.726

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

5 - DETERMINATION OF FAIR VALUES (cont'd)

Classification relevant to fair value information

The different levels have been defined as follows:

Level 1: Registered (unadjusted) prices of identical assets or liabilities in active markets;

Level 2: Data which can be observed by directly (through prices) or indirectly (derived from prices) and which excludes the registered prices described in Level 1;

Level 3: Data that is not based on observable market data related to assets and liabilities (non-observable data).

As at 30 June 2019, Group has no financial assets and liabilities measured at fair value (31 December 2018: None).

6 - OPERATING EXPENSES

For the periods ended 30 June 2019 and 30 June 2018, operating expenses comprised the following:

	1 January - 30 June 2019	**1 January - 30 June 2018**
Legal and court expenses	2.304	3.326
Rent expenses	1.578	1.359
Communication expenses	632	567
Depreciation and amortization expenses	623	337
Outsourced benefits and service expenses	514	458
Subscription expenses	464	378
Consultancy expenses	415	785
Office supplies expenses	397	331
Travelling expenses	292	261
Information technologies expenses	262	137
Maintenance and repair expenses	170	150
Taxes and duties other than on income	156	173
Advertising expenses	3	4
Others	488	952
	8.298	**9.218**

7 - PERSONNEL EXPENSES

For the periods ended 30 June 2019 and 30 June 2018, personnel expenses comprised the following:

	1 January - 30 June 2019	**1 January - 30 June 2018**
Salary expenses	9.805	9.636
Board of directors salary expenses	3.949	5.058
Social security premium expenses	1.412	1.109
Employee termination indemnity	825	521
Meal expenses	490	573
	16.481	**16.897**

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

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 2019 and 30 June 2018 comprised the following items:

	1 January - 30 June 2019	**1 January - 30 June 2018**
Current period tax expense		
Income tax expense (-)	(4.194)	(5.515)
Deferred tax benefit	242	348
Total tax expense (-)	**(3.952)**	**(5.167)**

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

8 - TAXATION (cont'd)

The reported tax expense for the periods ended 30 June 2019 and 30 June 2018 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 2019	1 January - 30 June 2018
Profit before income taxes	**11.652**	**22.990**
Theoretical tax charge at the applicable tax rate 22%	(2.564)	(5.058)
Tax effect of items which are not deductible or assessable for taxation purposes (-)	(82)	(109)
Accumulated losses on which deferred tax is not calculated	(1.306)	-
Total tax expense (-)	**(3.952)**	**(5.167)**

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 assets/liabilities as at 30 June 2019 and 31 December 2018 comprised the following:

	30 June 2019	31 December 2018
Taxes on income	4.194	6.104
Less: Corporation taxes paid in advance	(2.836)	(6.508)
Current tax assets and liabilities	**1.358**	**(404)**

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.

The Group and its subsidiaries 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 2019 financial statements (31 December 2018: 22%).

For the periods ended 30 June 2019 and 30 June 2018, movements of deferred tax assets are as follows:

	30 June 2019	30 June 2018
Balance at 1 January	**5.308**	**6.398**
IFRS 9 opening adjustment	-	105
Taxes on income (-)	242	348
Deferred tax expense recognized in other comprehensive income	(30)	50
Balance at period end	**5.520**	**6.901**

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

8 - TAXATION (cont'd)

Deferred tax assets and deferred tax liabilities as at 30 June 2019 and 31 December 2018 were attributable to the items detailed in the table below:

	Cumulative temporary differences		Deferred tax temporary differences	
	30 June 2019	**31 December 2018**	**30 June 2019**	**31 December 2018**
Provision for impaired factoring receivables	27.815	26.102	5.561	5.232
Deferred commission income on factoring receivables	1.067	1.893	235	416
Reserve for employment termination benefits	6.684	6.242	1.245	1.259
Deferred commission income	180	247	40	54
Other	425	55	86	12
Deferred tax asset	**36.171**	**34.539**	**7.167**	**6.973**
Valuation difference between carrying values and tax base of buildings and lands (*)	(16.212)	(15.876)	(1.621)	(1.588)
Effects of useful life differences of property and equipment, and intangible assets	(150)	(252)	-	(56)
Temporary differences on receivables from credit impaired assets	(106)	(84)	(23)	(18)
Temporary differences on borrowings and issued marketable securities	(15)	(15)	(3)	(3)
Deferred tax liability (-)	**(16.483)**	**(16.227)**	**(1.647)**	**(1.665)**
Deferred tax asset			**5.520**	**5.308**

(*) 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 2018: 10%).

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

9 - CASH AND CASH EQUIVALENTS

As at 30 June 2019 and 31 December 2018, cash and cash equivalents comprised the following:

	30 June 2019	31 December 2018
Cash at banks	2.558	7.725
- Demand deposits	*1.141*	*7.555*
- Time deposits	*1.417*	*170*
Cash on hand	20	18
Reverse repo receivables	27.811	15.341
Total	**30.389**	**23.084**
Interest accrual	(607)	-
Cash and cash equivalents to the statement of cash flows	**29.782**	**23.084**

As at 30 June 2019 the Group has time deposits (less than 1 month) with the average interest rate 22% (31 December 2018: Less than 1 month, with the interest rate 20%).

As at 30 June 2019, there is TL 20 blockage on cash and cash equivalents (31 December 2018: TL 655).

10 - FACTORING RECEIVABLES AND FACTORING PAYABLES

(i) Factoring receivables

As at 30 June 2019 and 31 December 2018 factoring receivables comprised the following:

	30 June 2019	31 December 2018
Domestic factoring receivables	729.007	833.855
Doubtful receivables	32.246	28.469
Factoring receivables, gross	**761.253**	**862.324**
Unearned income on factoring transactions (-)	(39.641)	(58.801)
Expected credit loss	(30.734)	(29.002)
Factoring receivables, net	**690.878**	**774.521**

As at 30 June 2019 and 31 December 2018, maturity of factoring receivables excluding unearned income and doubtful receivables are as follows:

	30 June 2019	31 December 2018
Up to 1 month	189.167	230.215
1 month to 3 months	291.858	348.662
3 months to 1 year	236.122	246.296
1 year and over	11.860	8.682
	729.007	**833.855**

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

10 - FACTORING RECEIVABLES AND FACTORING PAYABLES (cont'd)

(i) Factoring receivables (cont'd)

The Group has obtained the following collaterals for its receivables as at 30 June 2019 and 31 December 2018:

	30 June 2019	31 December 2018
Customer notes and cheques obtained as collateral	794.500	888.837

As at 30 June 2019, carrying value of the Group's restructured factoring receivables amounts to TL 13,093 (31 December 2018: TL 13,111).

As at 30 June 2019 and 31 December 2018, maturity profile of the doubtful factoring receivables and the expected credit loss allowance for them is as follows:

	30 June 2019		
	Stage 1	**Stage 2**	**Stage 3**
Expected credit loss	(312)	(138)	(30.284)
	(312)	**(138)**	**(30.284)**

	31 December 2018		
	Stage 1	**Stage 2**	**Stage 3**
Expected credit loss	(363)	(270)	(28.369)
	(363)	**(270)**	**(28.369)**

As at 30 June 2019 and 31 December 2018, maturity profile of the doubtful factoring receivables and the specific allowance for them is as follows:

	30 June 2019		31 December 2018	
	Doubtful receivables	**Specific allowance**	**Doubtful receivables**	**Specific allowance**
Past due 0-3 months	2.372	(410)	3.173	(3.073)
Past due 3-6 months	2.897	(2.897)	1.651	(1.651)
Past due 6-12 months	4.218	(4.218)	1.155	(1.155)
Past due over 1 year	22.759	(22.759)	22.490	(22.490)
Total	**32.246**	**(30.284)**	**28.469**	**(28.369)**

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

10 - FACTORING RECEIVABLES AND FACTORING PAYABLES (cont'd)

(i) Factoring receivables (cont'd)

Movements in the total provision for impairment in the doubtful factoring receivables for the periods ended 30 June 2019 and 30 June 2018 were as follows:

	30 June 2019	30 June 2018
Balance at 1 January	**29.002**	**33.198**
Impact of adoption IFRS 9 at 1 January 2018	-	528
Allowance for the period	5.113	1.105
Recoveries of amounts previously provided for specific provision	(3.198)	(815)
Reversal of expected credit loss	(183)	(79)
Balance at period end	**30.734**	**33.937**

(ii) Factoring payables

As at 30 June 2019, factoring payables amounting to TL 2,165 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 2018: TL 2,726).

11 - CREDIT IMPAIRED ASSETS

As at 30 June 2019 and 31 December 2018, credit impaired assets of the Group comprised the following:

	30 June 2019	31 December 2018
Receivables from credit impaired assets (*)	117.686	120.243
Acquired credit impaired assets	*130.484*	*127.654*
Expected credit loss allowance	*(12.798)*	*(7.411)*
	117.686	**120.243**

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

Portfolio	Purchase year	Currency	Cost	30 June 2019 Carrying amount
2014 Portfolio	2014	TL	48.350	18.580
2015 Portfolio	2015	TL	25.300	21.098
2016 Portfolio	2016	TL	43.000	38.504
2017 Portfolio	2017	TL	20.000	28.165
2018 Portfolio	2018	TL	7.350	11.339
				117.686

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

11 - CREDIT IMPAIRED ASSETS (cont'd)

Portfolio	Purchase year	Currency	Cost	31 December 2018 Carrying amount
2014 Portfolio	2014	TL	48.350	22.287
2015 Portfolio	2015	TL	25.300	23.421
2016 Portfolio	2016	TL	43.000	37.705
2017 Portfolio	2017	TL	20.000	27.243
2018 Portfolio	2018	TL	7.350	9.587
				120.243

As explained in detail in Note 3 (i), 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 credit impaired assets" and negative differences are recorded under "Other operating income/(expenses)". If any objective evidence that the receivables from 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 2019 net present value of the receivables from credit impaired assets amount to TL 117,686 (31 December 2018: TL 120,243).

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

The Group estimates future cash flows for its 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 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 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 credit impaired assets. The Group has estimated with a total of undiscounted TL 195,000 collections from its credit impaired assets portfolio for the periods between 2020 and 2025 (31 December 2018: TL 195,006 undiscounted collection from its credit impaired assets portfolio for the periods between 2019 and 2025).

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

11 - CREDIT IMPAIRED ASSETS (cont'd)

Movement of allowances for credit impaired assets for the period ended 30 June 2019 and 30 June 2018 are presented below:

	30 June 2019	30 June 2018
Balance at 1 January	**7.411**	**128**
Expected credit loss	5.387	4.068
Balance at period end	**12.798**	**4.196**

Movement of the credit impaired assets for the years ended as at 30 June 2019 and 30 June 2018 is presented below:

	30 June 2019	30 June 2018
Balance at 1 January	**120.243**	**121.807**
Adjustment to the first application of IFRS 9	-	(22)
Acqusition of distressed loans	-	7.350
Collection received in the period	(16.892)	(24.770)
Provision (-)	(5.387)	(3.651)
Income from valuation in current period	-	9.890
Accrued interest	19.722	13.895
Balance at period end	**117.686**	**124.499**

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

12 - PROPERTY AND EQUIPMENT

Movements of property and equipment for the period ended 30 June 2019 and 30 June 2018 are as follows:

	Buildings	Furniture and fixtures	Leasehold improvements	Total
Cost				
Balance at 1 January 2018	37.475	2.630	308	40.413
Additions	2.205	178	2	2.385
Transfer (*)	12.250	-	-	12.250
Balance at 30 June 2018	**51.930**	**2.808**	**310**	**55.048**
Balance at 1 January 2019	67.307	3.423	280	71.010
Additions	-	-	324	324
Balance at 30 June 2019	**67.307**	**3.423**	**604**	**71.334**
Accumulated depreciation				
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)**
Balance at 1 January 2019 (-)	-	(2.084)	(259)	(2.343)
Depreciation for the period (-)	(199)	(261)	(37)	(497)
Balance at 30 June 2019	**(199)**	**(2.345)**	**(296)**	**(2.840)**
Net book value				
30 June 2018	**51.930**	**926**	**17**	**52.873**
30 June 2019	**67.108**	**1.078**	**308**	**68.494**

(*) Related amount comprise of the advances given to a construction firm for the construction of the building to which is the Group plans to move. Related amount has a fixed asset nature and has been transferred to property and equipment at the delivery date.

Fair value of the Group's buildings are determined with market approach in accordance with the independent appraiser's reports dated January 2019 and December 2019. The appraiser is a Capital Market Board ("CMB") accredited independent company and has sufficient capability and experience in valuation of the buildings in related locations. The Group's head office building which has a total of TL 35,475 net book value as at 14 December 2018 was sold to İş Finansal Kiralama A.Ş. with a total amount of TL 41,229 and leased back with a total amount of TL 41,064 at the same day from İş Finansal Kiralama A.Ş. in accordance with the sale and lease back agreement signed between the Group and İş Finansal Kiralama A.Ş. on the same day on 14 December 2018. Terms of the leasing agreement is one year. After one year, as the lease back agreement ends the ownership of the property will be passed back to the Group.

The Group's Skyland office building which has a total of TL 26,050 net book value as at 31 December 2018 was sold to İş Finansal Kiralama A.Ş. with a total amount of TL 24,167 and leased back at the same day from İş Finansal Kiralama A.Ş. in accordance with the sale and lease back agreement signed between the Group and İş Finansal Kiralama A.Ş. on the same day on 4 March 2019. Terms of the leasing agreement is one year. After one year, as the lease back agreement ends the ownership of the property will be passed back to the Group. Net book value of the head office building is subject to revaluation according to the transaction price based on the expert report. As at 30 June 2019, total amount of insurance coverage on property and equipment is TL 12,500 (31 December 2018: TL 10,750).

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

13 - INTANGIBLE ASSETS

For the periods ended 30 June 2019 and 30 June 2018, movements of intangible assets are as follows:

	Softwares
Cost	
Balance at 1 January 2018	1.421
Additions	215
Balance at 30 June 2018	**1.636**
Balance at 1 January 2019	1.977
Disposals	(270)
Balance at 30 June 2019	**1.707**
Accumulated amortization	
Balance at 1 January 2018 (-)	(863)
Amortization for the period (-)	(149)
Balance at 30 June 2018	**(1.012)**
Balance at 1 January 2019 (-)	(1.205)
Amortization for the period (-)	(126)
Balance at 30 June 2019	**(1.331)**
Net book value	
At 30 June 2018	**624**
At 30 June 2019	**376**

14 - OTHER ASSETS AND PREPAID EXPENSES

As at 30 June 2019 and 31 December 2018, details of other assets and prepaid expenses are stated below.

	30 June 2019	31 December 2018
Receivables from Tax Authority (**)	895	391
Prepaid expenses	785	874
Advances given (*)	43	518
Other	54	78
	1.777	**1.861**

(*) As at 31 December 2018 amounting to 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 2019.

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

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

15 - ASSETS HELD FOR SALE

As at 30 June 2019 and 31 December 2018, assets held for sale comprised the following:

	30 June 2019	31 December 2018
Assets held for sale	610	818
	610	**818**

For the periods ended 30 June 2019 and 30 June 2018, movements of assets held for sale were as follows:

	1 January 2019	Addition	Disposal	30 June 2019
Real estate properties	818	-	(208)	610
	818	**-**	**(208)**	**610**

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

16 - BORROWINGS

(i) Bank loans

As at 30 June 2019 and 31 December 2018, details of bank borrowings of the Group are as follows:

30 June 2019 Unsecured	Original amount	Effective interest rate (%)	Up to 1 year	1 year and over	Total loans and borrowings
Bank loans-TL	670.661	20.75-28.50	645.286	21.800	667.086
Bank loans-US Dollar	235	8,50	1.355	-	1.355
Bank loans-Euro	116	6,50	762	-	762
Total unsecured borrowings			**647.403**	**21.800**	**669.203**

31 December 2018 Unsecured	Original amount	Effective interest rate (%)	Up to 1 year	1 year and over	Total loans and borrowings
Bank loans-TL	709.385	21.70-39.75	687.585	21.800	709.385
Bank loans-US Dollar	704	8,50	3.704	-	3.704
Bank loans-Euro	31	6,50	184	-	184
Total unsecured borrowings			**691.473**	**21.800**	**713.273**

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

16 - BORROWINGS (cont'd)

(ii) 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 2019 and 31 December 2018, commitments in relation to finance leases are payable as follows:

	30 June 2019	31 December 2018
With one year	45.876	28.227
Minimum lease payments	**45.876**	**28.227**
Future finance charges (-)	(6.055)	(6.226)
Recognized as a liability	**39.821**	**22.001**

As at 30 June 2019 and 31 December 2018, the present value of finance lease liabilities is as follows:

	30 June 2019	31 December 2018
With one year	39.821	22.001
Present value of minimum lease payments	**39.821**	**22.001**

17 - DEBT SECURITIES ISSUED

As at 30 June 2019 and 31 December 2018, debt securities issued comprised the following:

	30 June 2019	31 December 2018
Bonds issued	14.790	65.147
Bills issued	13.996	27.235
	28.786	**92.382**

As at 30 June 2019, details 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
Bills issued					
TRFLDFKE1919	28 June 2019	30,000	4 October 2019	Qualified investor	Payment at maturity
TRFDVYA62014	20 June 2019	5,000	19 June 2020	Qualified investor	Quarterly
TRFDVYAE1916	25 March 2019	9,000	25 October 2019	Qualified investor	Monthly
TRFDVYA81915	10 August 2018	5,000	9 August 2019	Qualified investor	Quarterly
Bonds issued					
TRSDVYA22011	28 August 2018	15,000	25 February 2020	Qualified investor	Quarterly

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

17 - DEBT SECURITIES ISSUED (cont'd)

As at 31 December 2018, details 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
Bills issued					
TRFLDFK31919	23 March 2018	30,000	22 March 2019	Qualified investor	Quarterly
TRFLDFK41918	6 April 2018	21,000	5 April 2019	Qualified investor	Quarterly
TRFLDFK41926	6 July 2018	10,000	26 April 2019	Qualified investor	Quarterly
TRFDVYA31910	26 December 2018	9,000	26 March 2019	Qualified investor	Payment at maturity
TRFDVYA81915	10 August 2018	5,000	9 August 2019	Qualified investor	Quarterly
Bonds issued					
TRSDVYA22011	28 August 2018	15,000	25 February 2020	Qualified investor	Quarterly
TRSDVYA61910	26 December 2017	12,000	25 June 2019	Qualified investor	Quarterly

The bills 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 periods ended 30 June 2019 and 30 June 2018, movements of the debt securities issued are presented below:

	30 June 2019	30 June 2018
Balance at 1 January	**92.382**	**284.270**
Proceeds from debt securities issued	41.134	344.748
Repayments of debt securities issued (-)	(105.398)	(252.360)
Non-cash items in debt securities issued	668	15.812
Balance at period end	**28.786**	**392.470**

18 - OTHER LIABILITIES

As at 30 June 2019 and 31 December 2018, other liabilities comprised the following:

	30 June 2019	31 December 2018
Taxes and duties other than on income	2.107	2.255
Payables to suppliers	1.191	1.138
Other payables	974	92
	4.272	**3.485**

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

19 - EMPLOYEE BENEFITS

As at 30 June 2019 and 31 December 2018, employee benefits comprised the following:

	30 June 2019	31 December 2018
Employee termination benefits provision	5.560	5.109
Unused vacation accruals	881	833
Bonus provision	160	300
	6.601	**6.242**

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 6,017.60 at 30 June 2019 (31 December 2018: full TL 5,434.42) 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 2019 and 31 December 2018:

	30 June 2019	31 December 2018
Discount rate (%)	5,02	5,02
Expected rate of salary/limit increase (%)	9,5	9,5
The probability of retirement (%)	94,53	94,53

For the periods ended 30 June 2019 and 30 June 2018, movements in the reserve for employee severance payments are as follows:

	30 June 2019	30 June 2018
Balance at 1 January	**5.109**	**3.620**
Interest cost	398	220
Service cost	427	301
Paid (-)	(223)	(95)
Actuarial losses (*)	(151)	228
Balance at period end	**5.560**	**4.274**

(*) Actuarial gains and losses for the year ended 30 June 2019 and 31 December 2018 are recognized in the statement of profit or loss and other comprehensive income.

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

19 - EMPLOYEE BENEFITS (cont'd)

Unused vacation accruals

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

For the periods ended 30 June 2019 and 30 June 2018, movements in the vacation pay liability are as follows:

	30 June 2019	30 June 2018
Balance at 1 January	**833**	**809**
Increase/(reversal) of accruals	48	(115)
Balance at period end	**881**	**694**

20 - EQUITY

20.1 Paid-in capital

As at 30 June 2019, the nominal value of the Company's authorized and paid-in share capital amounts to TL 45,000 (31 December 2018: TL 45,000) comprising 45,000 (31 December 2018: 45,000) 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.

As at 30 June 2019 and 31 December 2018, the composition of the authorized and paid-in share capital as full TL was as follows:

			30 June 2019			31 December 2018
	Share (%)	Group A	Group B	Group C	Total	Share (%)
Nedim Menda	33,5625%	10.000	10.638.125	4.455.000	15.103.125	33,5625%
Raşel Elenkave	11,3375%	15.000	5.086.875	-	5.101.875	11,3375%
Jak Sucaz	21,3875%	10.000	9.614.375	-	9.624.375	21,3875%
Lizet Sucaz	6,2375%	5.000	2.801.875	-	2.806.875	6,2375%
Refka B. Adato	6,2375%	5.000	2.801.875	-	2.806.875	6,2375%
Judit Menda	6,2375%	5.000	2.801.875	-	2.806.875	6,2375%
Publicly traded	15,0000%	-	6.750.000	-	6.750.000	15,0000%
Total	**100,00%**	**50.000**	**40.495.000**	**4.455.000**	**45.000.000**	**100,00%**

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 12,303 at 30 June 2019 (31 December 2018: TL 10,949).

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

20 - EQUITY (cont'd)

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 2019 revaluation surplus amount is TL 47,101 (31 December 2018: TL 47,101).

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 (1,337) as at 30 June 2019 (31 December 2018: TL (1,592)).

21 - EARNINGS PER SHARE

For the years ended 30 June 2019 and 30 June 2018, 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 2019	30 June 2018
Weighted average number of shares	45.000	45.000
Profit for the period	7.700	17.823
Basic and diluted profit per share	**0,17**	**0,40**

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.

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

22 - FINANCIAL INSTRUMENTS (cont'd)

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.

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, 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 2019	31 December 2018
Factoring receivables	690.878	774.521
Credit impaired assets	117.686	120.243
Other receivables	1.777	1.861
Cash and cash equivalents (*)	30.369	23.066
	840.710	**919.691**

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

The Group manages the concentrations risk on factoring and 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 2019 and 31 December 2018:

30 June 2019	Assets	%	Liabilities	%
Turkey	915.762	100	752.238	100
	915.762	**100**	**752.238**	**100**

31 December 2018	Assets	%	Liabilities	%
Turkey	995.701	100	840.132	100
	995.701	**100**	**840.132**	**100**

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

22 - FINANCIAL INSTRUMENTS (cont'd)

i) Credit risk (cont'd)

a) Risk management framework (cont'd)

As at 30 June 2019 and 31 December 2018, the breakdown of factoring receivables, excluding unearned income and doubtful receivables, by industrial groups is as follows:

	30 June 2019	(%)	31 December 2018	(%)
Construction	101.747	14	110.367	13
Trading	100.063	14	108.276	13
Textile	96.809	13	100.234	12
Iron and steel	86.785	12	103.970	12
Food	56.931	8	72.236	9
Automotive	51.337	7	54.608	7
Rubber and plastics	40.669	6	41.166	6
Machinery	37.603	5	49.804	6
Paper and printing	36.548	5	48.171	6
Wood products	24.816	3	31.703	4
Electrics and electronics	23.359	3	26.953	3
Agricultural products	19.853	3	20.343	2
Chemicals	16.453	2	20.472	2
Leather products	7.956	1	9.569	1
Tourism	2.225	-	3.009	-
Others	25.853	4	32.974	4
Total	**729.007**	**100**	**833.855**	**100**

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

The Group is subject to credit risk through its credit impaired assets management operations. Within the scope of credit impaired assets management operations, the Group purchases credit impaired assets from different established banks in Turkey. The Group's 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 June 2019 and 31 December 2018, 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.

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

22 - FINANCIAL INSTRUMENTS (cont'd)

i) Credit risk (cont'd)

b) Collaterals (cont'd)

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 2019			31 December 2018		
	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)	**690.878**	**119.463**	**30.369**	**774.521**	**122.104**	**23.066**
Maximum risk secured with collaterals	690.878	-	-	774.521	-	-
A) Net carrying value of financial assets which are neither impaired nor overdue	676.273	1.777	30.369	761.943	1.861	23.066
B) Net carrying value of financial assets that are restructured, otherwise which will be regarded as overdue or impaired	13.093	-	-	13.111	-	-
C) Net carrying value of financial assets which are overdue but not impaired the net book value	-	-	-	-	-	-
the portion covered by any guarantee	-	-	-	-	-	-
D) Net carrying value of impaired assets	1.512	117.686	-	(533)	120.243	-
- Overdue (gross book value) (*)	32.246	130.484	-	28.469	127.654	-
- Impairment (-) (*)	(30.734)	(12.798)	-	(29.002)	(7.411)	-
- 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	-	-	-	-	-	-

(*) TL 30,734 of the related balances consists of expected credit losses (Note 11) (31 December 2018: TL 29,002).
(**) TL 20 of cash on hand is excluded from cash and cash equivalents (31 December 2018: TL 18).

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

22 - FINANCIAL INSTRUMENTS (cont'd)

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 2019	Carrying amount	Contractual cash flows	3 months or less	3 to 12 months	1 to 5 years	Over 5 years
Non-derivative financial liabilities	**739.975**	**751.910**	**454.764**	**297.146**	-	-
Bank loans	669.203	672.778	441.717	231.061	-	-
Financial lease liabilities	39.821	44.045	5.780	38.265	-	-
Debt securities issued	28.786	32.922	5.102	27.820	-	-
Factoring payables	2.165	2.165	2.165	-	-	-

31 December 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	**830.382**	**860.346**	**639.351**	**176.059**	**44.936**	-
Bank loans	713.273	734.810	606.571	99.216	29.023	-
Financial lease liabilities	22.001	25.674	919	24.755	-	-
Debt securities issued	92.382	97.136	29.135	52.088	15.913	-
Factoring payables	2.726	2.726	2.726	-	-	-

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.

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

22 - FINANCIAL INSTRUMENTS (cont'd)

iii) Market risk (cont'd)

a) Interest rate risk (cont'd)

The tables below summarize average effective interest rates by major currencies for monetary financial instruments as at 30 June 2019 and 31 December 2018:

	30 June 2019			31 December 2018		
	USD (%)	Euro (%)	TL (%)	USD (%)	Euro (%)	TL (%)
Assets						
Cash and cash equivalents	-	-	23,50	-	-	20,00
Factoring receivables	13,97	16,16	28,16	14,51	20,76	38,42
Credit impaired assets	-	-	25,00	-	-	28,50
Liabilities						
Borrowings	8,50	6,50	25,10	8,50	6,50	28,80
Debt securities issued	-	-	24,00	-	-	25,60
Finance Lease Liabilities	-	-	16,70	-	-	28,30

Interest rate profile

As at 30 June 2019 and 31 December 2018, the interest rate profiles of the interest-bearing financial instruments were as follows:

Carrying amount	30 June 2019	31 December 2018
Fixed rate instruments		
Time deposits	1.417	170
Factoring receivables	690.878	774.521
Credit impaired assets	117.686	120.243
Borrowings	(479.705)	(510.764)
Debt securities issued	(24.650)	(9.040)
Variable rate instruments		
Borrowings	(229.319)	(224.510)
Debt securities issued	(4.136)	(83.342)

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 2019 and 31 December 2018 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.

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

22 - FINANCIAL INSTRUMENTS (cont'd)

iii) Market risk (cont'd)

a) Interest rate risk (cont'd)

Interest rate sensitivity (cont'd)

	Profit or loss		Equity (*)	
	100 bp increase	100 bp decrease	100 bp increase	100 bp decrease
30 June 2019				
Variable rate instruments	(593)	593	(593)	593
31 December 2018				
Variable rate instruments	(699)	699	(699)	699

(*) 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 2019	Demand and up to 3 months	3 to 12 months	Over 1 year	Non-interest bearing	Total
Assets					
Cash and cash equivalents	29.228	-	-	1.161	30.389
Factoring receivables	189.167	291.858	247.982	-	729.007
Credit impaired assets	12.017	31.815	73.854	-	117.686
Total assets	**230.412**	**323.673**	**321.836**	**1.161**	**877.082**
Liabilities					
Borrowings (-)	(447.497)	(261.527)	-	-	(709.024)
Debt securities issued (-)	(5.102)	(23.684)	-	-	(28.786)
Factoring payables	(2.165)	-	-	-	(2.165)
Total liabilities	**(454.764)**	**(285.211)**	**-**	**-**	**(739.975)**
Net re-pricing gap	**(224.352)**	**38.462**	**321.836**	**1.161**	**137.107**

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

22 - FINANCIAL INSTRUMENTS (cont'd)

iii) Market risk (cont'd)

a) Interest rate risk (cont'd)

Interest rate sensitivity (cont'd)

31 December 2018	Demand and up to 3 months	3 to 12 months	Over 1 year	Non-interest bearing	Total
Assets					
Cash and cash equivalents	15.511	-	-	7.573	23.084
Factoring receivables	230.215	348.662	254.978	-	833.855
Credit impaired assets	12.007	31.851	76.385	-	120.243
Total assets	**257.733**	**380.513**	**331.363**	**7.573**	**977.182**
Liabilities					
Borrowings	(606.080)	(107.394)	(21.800)	-	(735.274)
Debt securities issued	(28.488)	(51.786)	(12.108)	-	(92.382)
Factoring payables	(2.726)	-	-	-	(2.726)
Total liabilities	**(637.294)**	**(159.180)**	**(33.908)**	**-**	**(830.382)**
Net re-pricing gap	**(379.561)**	**221.333**	**297.455**	**7.573**	**146.800**

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 2019 and 31 December 2018, the currency risk exposures are as follows (TL equivalents):

30 June 2019	USD	Euro	Total
Factoring receivables	1.508	848	2.356
Other receivables	26	-	26
Loans and borrowings (-)	(1.355)	(762)	(2.117)
Net balance sheet exposure	**179**	**86**	**265**

31 December 2018	USD	Euro	Total
Factoring receivables	5.749	182	5.931
Other receivables	7	9	16
Loans and borrowings (-)	(3.704)	(184)	(3.888)
Net balance sheet exposure	**2.052**	**7**	**2.059**

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

22 - FINANCIAL INSTRUMENTS (cont'd)

iii) Market risk (cont'd)

b) Foreign currency risk

Exchange rates applied as at 30 June 2019 and 31 December 2018:

	30 June 2019	31 December 2018
USD	5,7551	5,2609
Euro	6,5507	6,0280

Sensitivity analysis

A 10 percent depreciation of the TL against the following currencies at 30 June 2019 and 31 December 2018 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 2019	Equity	Profit or loss
USD	18	18
Euro	9	9
	27	**27**

31 December 2018	Equity	Profit or loss
USD	205	205
Euro	1	1
	206	**206**

A 10 percent strengthening in the TL against the foreign currencies as at 30 June 2019 and 31 December 2018 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.

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 2019	31 December 2018
Total liabilities	**752.238**	**840.132**
Cash and cash equivalents (-)	30.389	23.084
Net debt	**721.849**	**817.048**
Total equity	**163.524**	**155.569**
Net debt /equity ratio	**4,41**	**5,25**

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

22 - FINANCIAL INSTRUMENTS (cont'd)

iv) Operational risk (cont'd)

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 17.9% as at 30 June 2019 (31 December 2018: 15,6%) 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 2019 and 31 December 2018:

Collaterals received

	30 June 2019	31 December 2018
Personal guarantees	7.225.693	6.869.754
Cheques and notes received as collateral	4.180.982	3.729.900
	11.406.675	**10.599.654**

Letters of guarantee

	30 June 2019	31 December 2018
Given to banks	159.154	167.554
	159.154	**167.554**

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

	30 June 2019	31 December 2018
Customer cheques	712.934	816.071
Customer notes	81.566	72.766
	794.500	**888.837**

24 - RELATED PARTY DISCLOSURES

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 year ended 30 June 2019 was amounting to TL 3,949 (30 June 2018: TL 5,058).

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

25 - DISCLOSURES OF INTERESTS IN OTHER ENTITIES

Condensed statement of financial position of Deren Varlık Yönetim A.Ş. as at 30 June 2019 is presented below:

Condensed balance sheet:	**30 June 2019**
Current assets	119.599
Non-current assets	778
Total assets	**120.377**
Financial liabilities (-)	(99.411)
Other liabilities (-)	(1.653)
Total liabilities	**(101.064)**
Paid capital	20.000
Re-measurements of employee termination benefits	(91)
Retained earnings	5.402
Net loss for the period	(5.998)
Net assets	**19.313**

26 - EVENTS AFTER THE REPORTING PERIOD

On 8 July 2019, the Company issued bonds with a nominal value of TL 12,000 and with a maturity of 116 days under the code TRFLDFKK1911. On 4 October 2019, the Company issued bonds with a nominal value of TL 23,500 and with a maturity of 126 days under the code TRFLDFK22017. On 4 October 2019, the Company issued bonds with a nominal value of TL 24,000 and with a maturity of 98 days under the code TRFLDFK12018.