

**EKSPO FAKTORİNG A.Ş.**

FINANCIAL STATEMENTS FOR THE  
YEAR ENDED 31 DECEMBER 2017  
AND INDEPENDENT AUDITOR'S REPORT

## INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Ekspo Faktoring A.Ş.

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of Ekspo Faktoring A.Ş. ("the Company"), which comprise the statement of financial position as at 31 December 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2017, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

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

Key audit matters	How the matter was addressed in the audit
<p>Recognition, Classification, Measurement, and Accounting of Impairment on Factoring Receivables</p> <p>Company's factoring receivables are comprised of import and export receivables amount to 432,976 Thousand TL, follow-up loans amount to 3,233 Thousand TL and impairment amount to 3,233 Thousand TL. Details on receivables are disclosed in note 11.</p> <p>The company may not determine and account for impairment on factoring receivables correctly and timely.</p> <p>Due to the factoring receivables being the major balance sheet item and the main business activity of the Company, results of the risks mentioned above may have a significant effect on balance sheet and profit loss statement.</p>	<p>Audit procedures applied for the determined risk;</p> <p>We assessed design and implementation of the significant controls over the impairment of the factoring receivables. We selected our samples based on audit methodology and our experience and we tested classification of factoring receivables. The company booked full provision for impaired receivables so we did not need to further test for impairment.</p>

## Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

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

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

## Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Mjde Aslan.

*DRT Bađimsız Denetim ve SMMM A.Ş.*

DRT BAĐIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MŞAVİRLİK A.Ş.  
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

İstanbul, 13 March 2018

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## Ekspo Faktoring Anonim Şirketi

### Statement of Financial Position

As at 31 December 2017

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

	<i>Notes</i>	<b>31 December 2017</b>	<b>31 December 2016</b>
<b>Assets</b>			
Cash and cash equivalents	10	4.140	4.447
Derivative financial assets	21	1.374	684
Factoring receivables	11	432.976	331.452
Other assets	12	1.407	945
Investment properties	14	1.069	1.095
Tangible assets	15	1.262	1.416
Intangible assets	16	54	79
Deferred tax assets	9	3.032	1.586
<b>Total assets</b>		<b>445.314</b>	<b>341.704</b>
<b>Liabilities</b>			
Borrowings	17	285.466	221.008
Debt securities issued		18.740	-
Derivative financial liabilities	21	567	508
Factoring payables	19	8.717	5.932
Other liabilities	20	1.656	1.493
Income taxes payable	9	1.692	795
Reserve for employee severance payments and unused vacation pay liability	22	781	660
<b>Total liabilities</b>		<b>317.619</b>	<b>230.396</b>
<b>Equity</b>			
Share capital	23	60.000	60.000
Adjustment to share capital	23	279	279
Legal reserves	23	12.482	11.466
Retained earnings		54.934	39.563
<b>Total shareholders' equity</b>		<b>127.695</b>	<b>111.308</b>
<b>Total shareholders' equity and liabilities</b>		<b>445.314</b>	<b>341.704</b>
<b>Commitments and contingencies</b>	25	-	-

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

**Ekspo Faktoring Anonim Şirketi**  
**Statement of Profit or Loss and Other Comprehensive Income**  
**For the Year Ended 31 December 2017**

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

	<i>Notes</i>	<i>1 January- 31 December 2017</i>	<i>1 January- 31 December 2016</i>
Factoring interest income		58.366	52.632
Factoring commission income, net		5.837	3.554
<b>Income from factoring operations</b>		<b>64.203</b>	<b>56.186</b>
Interest expense on bank borrowings		(26.227)	(23.659)
Interest expense on debt securities issued		(195)	-
Derivative trading profits, net		630	156
Foreign exchange gains / (losses), net	5	1.838	803
Interest income other than on factoring interest income		54	26
Other income		-	501
<b>Interest, commission and foreign exchange income, net</b>		<b>40.303</b>	<b>33.512</b>
Personnel expenses	7	(9.685)	(8.145)
Administrative expenses	8	(3.484)	(2.890)
Provision for impaired factoring receivables, net	11	(814)	(1.372)
Depreciation and amortisation expenses	14,15,16	(256)	(302)
<b>Profit before income taxes</b>		<b>26.064</b>	<b>20.803</b>
Income tax expense	9	(5.177)	(4.276)
<b>Profit for the year</b>		<b>20.887</b>	<b>16.527</b>
Other comprehensive income for the year, net of income tax		-	-
<b>Total comprehensive income for the year</b>		<b>20.887</b>	<b>16.527</b>

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

**Ekspo Faktoring Anonim Şirketi**  
**Statement of Changes in Equity**  
**For the Year Ended 31 December 2017**

*(Currency: Thousands of Turkish Lira ("TL") unless otherwise stated)*

	Notes	Share Capital	Adjustment to Share Capital	Legal Reserves	Retained Earnings	Total Equity
<b>Balances at 1 January 2016</b>		60.000	279	10.878	26.723	97.880
<b>Total comprehensive income for the year</b>						
Profit for the year		-	-	-	17.028	17.028
<b>Total comprehensive income for the year</b>		-	-	-	17.028	17.028
Transfer to legal reserves		-	-	588	(588)	-
Dividend paid		-	-	-	(3.600)	(3.600)
<b>Total</b>		-	-	588	(4.188)	(3.600)
<b>Balances at 31 December 2016</b>	23	60.000	279	11.466	39.563	111.308
<b>Balances at 1 January 2017</b>		60.000	279	11.466	39.563	111.308
<b>Total comprehensive income for the year</b>						
Profit for the year		-	-	-	20.887	20.887
<b>Total comprehensive income for the year</b>		-	-	-	20.887	20.887
Transfer to capital		-	-	-	-	-
Transfer to legal reserves		-	-	1.016	(1.016)	-
Dividend paid		-	-	-	(4.500)	(4.500)
<b>Total</b>		-	-	1.016	(5.516)	(4.500)
<b>Balances at 31 December 2017</b>	23	60.000	279	12.482	54.934	127.695

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



**Ekspo Faktoring Anonim Şirketi**  
**Statement of Cash Flows**  
**For the Year Ended 31 December 2017**

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

	<i>Notes</i>	<i>1 January- 31 December 2017</i>	<i>1 January- 31 December 2016</i>
<b>Cash Flows From Operating Activities:</b>			
Profit for the year		20.887	17.028
<b>Adjustments for:</b>			
Depreciation and amortisation expense	14, 15, 16	280	302
Provision for employee severance payments	22	196	174
Other expense/(income) accruals		4.612	(895)
Deferred and income taxes	9	5.177	4.276
Interest income		(58.420)	(52.658)
Interest expenses		26.227	23.659
Provision for impaired factoring receivables	11	814	1.372
Unrealized foreign currency exchange gain		(216)	(595)
Changes in fair value of derivative financial instruments	21	(631)	(47)
<b>Changes in factoring receivables and payables</b>		<b>(1.074)</b>	<b>(7.384)</b>
Factoring Receivables and Payables		(96.962)	(50.459)
Changes in other assets		(6.775)	(181)
Changes in other liabilities		(2.974)	604
Employee severance paid	22	(104)	(129)
Taxes paid	9	(5.726)	(4.165)
Interest received		58.420	51.446
Proceeds from recoveries of impaired factoring receivables	11	431	364
<b>Net cash provided by / (used in) operating activities</b>		<b>(54.764)</b>	<b>(9.904)</b>
<b>Cash Flows From Investing Activities:</b>			
Acquisition of property and equipment	15	(75)	(20)
Acquisition of intangible assets	16	-	(22)
<b>Net cash used in investing activities</b>		<b>(75)</b>	<b>(42)</b>
<b>Cash Flows From Financing Activities:</b>			
Interest paid		(22.984)	(21.781)
Debt issued		18.740	
Changes in loans and borrowings		63.060	33.444
Dividends paid	23	(4.500)	(3.600)
<b>Net cash (used in) / provided from financing activities</b>		<b>54.316</b>	<b>8.063</b>
Effect of changes in foreign exchange rate on cash and cash equivalents		216	595
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>(307)</b>	<b>(1.288)</b>
<b>Cash and cash equivalents at 1 January</b>		<b>4.447</b>	<b>5.735</b>
<b>Cash and cash equivalents at 31 December</b>	10	<b>4.140</b>	<b>4.447</b>

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

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## **Ekspo Faktoring Anonim Şirketi**

*Notes to the Financial Statements*

*as at and for the Year Ended 31 December 2017*

*(Currency: Thousands of Turkish Lira ("TL") unless otherwise stated)*

### **1 Reporting entity**

Ekspo Faktoring Anonim Şirketi ("the Company") was incorporated in Turkey to provide factoring services to industrial and commercial firms and registered to Turkish Trade Registry on 2 June 2000.

The Company operates in both domestic and international markets and factors its without recourse type transactions via its correspondent factoring companies abroad. The Company provides domestic, import and export factoring services to industrial and commercial enterprises in Turkey.

The Company operates based on Capital Market Boards Law and Financial Leasing, Factoring and Financing Companies Law published in the Official Gazette No: 28496 on 13 December 2012 and the Establishment and Main Activities of Financial Leasing, Factoring and Financing Companies" published in the Official Gazette No: 28267 on 24 April 2013.

The Company operates mainly factoring transactions in one geographical area (Turkey).

The Company's head office is located at Maslak Mah. Maslak Meydan Sok. No: 5/B Spring Giz Plaza B Blok Sarıyer-İstanbul/Türkiye.

### **2 Basis of preparation of financial statements**

#### **(a) Statement of compliance**

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board.

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira ("TL") in accordance with the Turkish Accounting Standards as promulgated by the Banking Regulation and Supervision Agency ("BRSA") and also the Turkish Commercial Code.

#### **(b) Basis of measurement**

The financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS. They are prepared on the historical cost basis, except for derivatives which are measured at fair value, adjusted for the effects of inflation during the hyperinflationary period lasted till 31 December 2005.

#### **(c) Functional and presentation currency**

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

#### **(d) Use of estimates and judgements**

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of 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 in the period in which the estimate is revised and in any future periods affected.

## **Ekspo Faktoring Anonim Şirketi**

*Notes to the Financial Statements*

*as at and for the Year Ended 31 December 2017*

*(Currency: Thousands of Turkish Lira ("TL") unless otherwise stated)*

### **2 Basis of preparation (Continued)**

#### **(d) Use of estimates and judgements (Continued)**

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note 4 Determination of fair values
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### **3 Significant accounting policies**

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

#### **(a) Accounting in hyperinflationary economies**

International Accounting Standard ("IAS") 29, which deals with the effects of inflation in the financial statements, requires that financial statements prepared in the currency of a hyperinflationary economy to be stated in terms of the measuring unit current at the reporting date and the corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three year inflation rate approaching or exceeding 100%.

The cumulative three-year inflation rate in Turkey has been 35.61% at 31 December 2005, based on the Turkish nation-wide wholesale price indices announced by Turkish Statistical Institute. This, together with the sustained positive trend in the quantitative factors such as financial and economical stabilisation, decrease in the interest rates and the appreciation of TL against the US Dollars ("USD"), have been taken into consideration to categorize Turkey as a non-hyperinflationary economy under IAS 29 effective from 1 January 2006. Therefore, IAS 29 has not been applied to the financial statements of the Company as at and for the year ended 31 December 2006 and thereafter.

#### **(b) Foreign currency transactions**

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted to TL at the exchange rates ruling at reporting date with the resulting exchange differences recognized in the profit or loss as foreign exchange gain or loss. Gains and losses arising from foreign currency transactions are reflected in the comprehensive profit or loss as realized during the course of the year.

Foreign exchange rates used by the Company as at 31 December are as follows:

	<u>2017</u>	<u>2016</u>
USD	3,7719	3,5192
EURO	4,5155	3,7099
GBP	5,0803	4,3189
CHF	3,8548	3,4454

## **Ekspo Faktoring Anonim Şirketi**

*Notes to the Financial Statements*

*as at and for the Year Ended 31 December 2017*

*(Currency: Thousands of Turkish Lira ("TL") unless otherwise stated)*

### **3 Significant accounting policies (Continued)**

#### **(c) Financial Instruments**

##### *(i) Non-derivative financial instruments*

Non-derivative financial instruments comprise factoring receivables, other assets, cash and cash equivalents, bank borrowings, debt securities, factoring payables and other liabilities.

A financial instrument is recognized if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognized if the Company's obligations specified in the contract expire or are discharged or cancelled.

Non-derivative financial instruments are recognized initially at fair value plus any directly attributable transaction costs except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

##### *Cash and cash equivalents*

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

Time deposits are measured at amortised cost using the effective interest method, less any impairment losses.

Accounting for financial income and expense is discussed in note 3(m).

##### *Factoring receivables*

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

##### *Borrowings*

Bank borrowings are recognized initially at fair value, net of any transaction costs incurred. Subsequent to initial recognition, bank borrowings are stated at amortised cost with any difference between cost and redemption value being recognized in the statement of comprehensive income over the period of the borrowings.

##### *Other*

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

**Ekspo Faktoring Anonim Şirketi**

*Notes to the Financial Statements*

*as at and for the Year Ended 31 December 2017*

*(Currency: Thousands of Turkish Lira ("TL") unless otherwise stated)*

**3 Significant accounting policies (Continued)**

**(c) Financial Instruments (Continued)**

*(ii) Derivative financial instruments*

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in the profit or loss when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value. Fair values are based on available quoted market prices and discounted cash flow model if needed. Fair value of unquoted foreign exchange contracts are presented by the rate of the first term of the contract compared by the rest of the relevant currency market interest rates calculated on the table, minus the maturity rate as determined by comparing the statement of financial position. If fair value of derivative financial instruments is positive, it is accounted as assets; if the fair value is negative, it is accounted as liabilities.

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates, as estimated based on the available quoted market rates prevailing at the reporting date.

*(iii) Share capital*

*Ordinary shares*

Incremental costs directly attributable to issue of ordinary shares and share options are recognized as a deduction from equity.

Share capital increases pro-rata to existing shareholders is accounted for at par value as approved at the annual meeting of shareholders.

**(d) Investment property**

Investment property is accounted using the cost model, less accumulated depreciation, and impairment losses. Depreciation is recognized in the statement of comprehensive income on a straight-line basis over 50 years.

**(e) Assets held for sale**

Assets that are classified as held for sale are carried at the lower of carrying amount and fair value less costs to sell. A non-current asset is not depreciated (or amortised) while it is classified as held for sale.

**Ekspo Faktoring Anonim Şirketi**

*Notes to the Financial Statements*

*as at and for the Year Ended 31 December 2017*

*(Currency: Thousands of Turkish Lira ("TL") unless otherwise stated)*

**3 Significant accounting policies (Continued)**

**(f) Tangible assets**

*(i) Recognition and measurement*

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

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

When parts of an item of tangible assets have different useful lives, they are accounted for as separate items (major components) of tangible assets.

Any gain and loss on disposal of an item of tangible assets (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised net in other income and other expenses in profit or loss.

*(ii) Subsequent costs*

The cost of replacing part of an item of tangible assets is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of tangible assets are recognized in the statement of comprehensive income as incurred.

*(iii) Depreciation*

Depreciation is recognized in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible assets.

The estimated useful lives for the current and comparative periods are as follows:

Furniture and fixtures	5 years
Motor vehicles	5 years

Leasehold improvements are amortised 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**

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

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

## **Ekspo Faktoring Anonim Şirketi**

*Notes to the Financial Statements*

*as at and for the Year Ended 31 December 2017*

*(Currency: Thousands of Turkish Lira ("TL") unless otherwise stated)*

### **3 Significant accounting policies (Continued)**

#### **(h) Impairment**

##### *(i) Financial assets*

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

All financial assets are tested for impairment on an individual basis. Rest of financial assets are evaluated according to same properties of loan risk in group.

All impairment losses are recognized in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortised cost, the reversal is recognized in the profit or loss to the extent that the impairment loss in respect of a financial asset was not recognized in the previous year.

##### *(ii) Non-financial assets*

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment except deferred tax asset (accounting policy n). If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in the statements of profit or loss and other comprehensive income.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are 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.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognized.



**Ekspo Faktoring Anonim Şirketi**

Notes to the Financial Statements  
as at and for the Year Ended 31 December 2017

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

**3 Significant accounting policies (Continued)****(i) Employee benefits****(i) Reserve for employee severance payments**

In accordance with the existing social legislation in Turkey, the Company is required to make certain lump-sum 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 an agreed formula, are subject to certain upper limits and are recognized in the accompanying financial statements as accrued in accordance with IAS 39. The reserve has been calculated by estimating the present value of the future obligation of the Company that may arise from the retirement of the employees through statistical methodology.

The assumptions used in the calculation are as follows:

	31 December 2017	31 December 2016
Net discount rate	%4.69	%3.44
Expected salary / limit increase	%6.50	%7.50

**(ii) Short-term benefits**

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

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

**(j) Provisions**

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

**(k) Offsetting**

Financial assets and liabilities are offset and the net amount is reported in the statement of financial position when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

**(l) Related parties**

The shareholders of the Company and other companies that are controlled by them or related with them and key management personnel of the Company are considered and referred to as the related parties.

## **Ekspo Faktoring Anonim Şirketi**

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### **3 Significant accounting policies (Continued)**

#### **(m) Revenue and cost recognition**

##### *(i) Factoring interest and commission income*

Factoring interest and commission income are recognized in profit or loss on an accrual basis using the effective interest method. Commission income is a certain percentage of the total amount of invoices subject to spot factoring transactions.

##### *(ii) Factoring commission expense*

Factoring commission charges are recognised as expense in profit or loss on accrual basis.

##### *(iii) Other income and expenses*

Other income and expenses are recognized in profit or loss on the accrual basis.

##### *(iv) Financial income / expenses*

Financial income includes foreign exchange gains and interest income from time deposits calculated using the effective interest method.

Financial expenses include interest expense on borrowings using the effective interest method, foreign exchange losses and other financial expenses.

#### **(n) Income tax**

Taxes on income comprise current and deferred taxes. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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.

Deferred tax liabilities and assets are recognized when it is probable that the future economic benefits resulting from the reversal of taxable temporary differences will flow to or from the Company. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Currently enacted tax rates are used to determine deferred taxes on income.

Tax rate used in the calculation of deferred tax assets and liabilities was %22 over temporary timing differences expected to be reversed in 2018, 2019 and 2020, and %20 over temporary timing differences expected to be reversed in 2021 and the following years (2016: 20%).

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*Notes to the Financial Statements*

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### **3 Significant accounting policies (Continued)**

#### **(o) Application of new and revised international financial reporting standards (IFRSs)**

##### **New and Revised International Financial Reporting Standards**

###### **a) Amendments to IFRSs that are mandatorily effective from 2017**

Amendments to IAS 12	<i>Recognition of Deferred Tax Assets for Unrealized Losses</i> <sup>1</sup>
Amendments to IAS 7	<i>Disclosure Initiative</i> <sup>1</sup>
Annual Improvements to IFRS Standards 2014 -2016 Cycle	<i>IFRS 12</i> <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2017.

##### **Amendments to IAS 12 *Recognition of Deferred Tax Assets for Unrealized Losses***

The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilize a deductible temporary difference.

The application of these amendments has had no impact on the Company's financial statements.

##### **Amendments to IAS 7 *Disclosure Initiative***

These amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both cash and non-cash changes.

##### **Annual Improvements to IFRS Standards 2014–2016 Cycle**

**IFRS 12:** IFRS 12 states that an entity need not provide summarized financial information for interests in subsidiaries, associates or joint ventures that are classified (or included in a disposal company that is classified) as held for sale. The amendments clarify that this is the only concession from the disclosure requirements of IFRS 12 for such interests.

The application of these amendments has had no effect on the Company's financial statements as none of the Company's interests in these entities are classified, or included in a disposal company that is classified, as held for sale.

## **Ekspo Faktoring Anonim Şirketi**

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### **3 Significant accounting policies (Continued)**

#### **(o) Application of new and revised international financial reporting standards (IFRSs)**

##### **New and Revised International Financial Reporting Standards (continued)**

##### **Annual Improvements to IFRS Standards 2014–2016 Cycle (continued)**

a) New and revised IFRSs in issue but not yet effective (continued):

IFRS 9	<i>Financial Instruments</i> <sup>1</sup>
IFRS 15	<i>Revenue from Contracts with Customers</i> <sup>1</sup>
Amendments to IFRS 10 and IAS 28	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>
IFRS 16	<i>Leases</i> <sup>2</sup>
Amendments to IFRS 2	<i>Classification and Measurement of Share-Based Payment Transactions</i> <sup>1</sup>
IFRIC 22	<i>Foreign Currency Transactions and Advance Consideration</i> <sup>1</sup>
Amendments to IAS 40	<i>Transfers of Investment Property</i> <sup>1</sup>
Annual Improvements to IFRS Standards 2014–2016 Cycle	<i>IFRS 1</i> <sup>1</sup> , <i>IAS 28</i> <sup>1</sup>
Amendments to IAS 28	<i>Long-term Interests in Associates and Joint Ventures</i> <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2018.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2019.

##### **IFRS 9 *Financial Instruments***

IFRS 9 introduced new requirements for the classification and measurement of financial assets / liabilities and for derecognition and for general hedge accounting.

Key requirements of IFRS 9:

- all recognized financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortized cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognized by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognized in profit or loss.

## **Ekspo Faktoring Anonim Şirketi**

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## **2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (cont'd)**

### **(o) Application of new and revised international financial reporting standards (IFRSs)**

**New and Revised International Financial Reporting Standards (continued)**

**IFRS 9 Financial Instruments (continued)**

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

### **IFRS 15 Revenue from Contracts with Customers**

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 *Revenue*, IAS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer.

**Ekspo Faktoring Anonim Şirketi**

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**2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRSs) (cont’d)**

**(o) Application of new and revised international financial reporting standards (IFRSs)**

**New and Revised International Financial Reporting Standards (continued)**

b) New and revised IFRSs in issue but not yet effective (cont’d):

**Annual Improvements to IFRS Standards 2014–2016 Cycle**

The Annual Improvements include amendments to a number of IFRSs, which have been summarised below. The package also includes amendments to IFRS 12 Disclosure of Interests in Other Entities, which is effective for annual periods beginning on or after 1 January 2017 (see section IA above for details).

- **IFRS 1:** The amendments delete certain short-term exemptions in IFRS 1 because the reporting period to which the exemptions applied have already passed. As such, these exemptions are no longer applicable.
- **IAS 28:** The amendments clarify that the option for a venture capital organisation and other similar entities to measure investments in associates and joint ventures at FVTPL is available separately for each associate or joint venture, and that election should be made at initial recognition of the associate or joint venture.

**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.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Company’s financial statements.

The Company evaluates the effects of these standards, amendments and improvements on the financial statements.

**Ekspo Faktoring Anonim Şirketi**

*Notes to the Financial Statements*

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**3 Significant accounting policies (Continued)**

**(p) Statement of cash flows**

The Company prepares cash flow statements to inform the users of the financial statements about the changes in its net assets, its financial structure and its ability to affect the amount and timing of its cash flows with respect to changing external conditions.

In the statement of cash flows, cash flows of the period are reported with a classification based on operating, investing and financing activities. Cash flows from operating activities represent cash flows from activities within the scope of business. Cash flows relating to investment activities represent cash flows used and generated from investment activities (fixed investments and financial investments). Cash flows relating to financing activities represent the sources of financing the Company used and the repayments of these sources.

**(q) 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. In accordance with IAS 10, "Events After the Reporting Period", the Company 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.

**(r) Segment reporting of financial information**

Since the Company does not have segments whose financial performances are reviewed by operating decision makers, no segment reporting information is provided in the notes.

**Ekspo Faktoring Anonim Şirketi***Notes to the Financial Statements**as at and for the Year Ended 31 December 2017**(Currency: Thousands of Turkish Lira ("TL") unless otherwise stated)***4 Determination of fair values***Fair value hierarchy*

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

<b>31 December 2017</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Derivative financial assets	-	1,374	-	1,374
	-	<b>1,374</b>	-	<b>1,374</b>
Derivative financial liabilities	-	567	-	567
	-	<b>567</b>	-	<b>567</b>

<b>31 December 2016</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Derivative financial assets	-	684	-	684
	-	<b>684</b>	-	<b>684</b>
Derivative financial liabilities	-	508	-	508
	-	<b>508</b>	-	<b>508</b>

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

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.

The estimated fair values of financial instruments have been determined using available market information by the Company, and where it exists, appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. While management has used available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realised in the current circumstances. Management has estimated that the fair value of certain financial position instruments is not materially different than their recorded values due to their short nature. These statement of financial position instruments include cash and cash equivalents, factoring receivables, factoring payables, loans and borrowings, other assets and other liabilities.



**Ekspo Faktoring Anonim Şirketi***Notes to the Financial Statements**as at and for the Year Ended 31 December 2017**(Currency: Thousands of Turkish Lira ("TL") unless otherwise stated)***4 Determination of fair values (Continued)**

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

	2017		2016	
	<u>Carrying amount</u>	<u>Fair Value</u>	<u>Carrying amount</u>	<u>Fair value</u>
<b>Financial assets</b>				
Cash and cash equivalents	4,140	4,140	4,447	4,447
Factoring receivables	432,976	432,976	331,452	331,452
<b>Financial liabilities</b>				
Bank borrowings	285,466	285,466	221,008	221,008
Debt issued	18,740	18,740	-	-
Factoring payables	8,717	8,717	5,932	5,932
Other liabilities	1,656	1,656	1,493	1,493

Fair value is estimated to approximate carrying value.

**5 Interest income other than factoring operations**

As at and for the years ended 31 December, interest income other than factoring operations are as follows:

	<u>2017</u>	<u>2016</u>
Interest income on bank deposits	48	26
Interest income from securities	6	-
	<b>54</b>	<b>26</b>

**6 Other income**

For the year ended 31 December 2017, other income comprised of mediation income amounting to TL 0 (2016: TL 501).

**7 Personnel expenses**

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

	<u>1 January- 31 December 2017</u>	<u>1 January- 31 December 2016</u>
Salary expenses	7,240	6,889
Bonus payment	842	-
Social security premium employer's share	712	628
Insurance expenses	431	245
Transportation expenses	169	164
Meal expenses	137	128
Unemployment security employer's share	53	47
Others	101	44
	<b>9,685</b>	<b>8,145</b>

## **Ekspo Faktoring Anonim Şirketi**

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### **8 Administrative expenses**

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

	<u>1 January-31</u> <u>December</u> <u>2017</u>	<u>1 January- 31</u> <u>December</u> <u>2016</u>
Rent expenses	1,018	851
Legal expenses	331	449
Depreciation and amortization expense	280	302
IT related expenses	306	261
Audit and consultancy expenses	290	216
Provisions for employee termination benefits expense	196	174
Subscription fees	183	164
Travel expenses	111	153
Vehicle expenses	145	135
Taxes and duties other than on income	103	94
Communication expenses	62	85
Presentation expense	91	67
Other	622	238
	<b>3,740</b>	<b>3,192</b>

### **9 Taxation**

As at 31 December 2017, corporate income tax is levied at the rate of 20% (2016: 20%) on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes. There is also a withholding tax levied at a certain rate on the dividends paid and is accrued only at the time of such payments. Some of the deduction rates included in the 15th and 30th Articles of the Law no. 5520 on the Corporate Tax, was redefined according to the Cabinet Decision numbered 2006/10731, which was announced at Trade Registry Gazette of 23 July 2006-26237. In this context, withholding tax rate on dividend payments which are made to the companies except those which are settled in Turkey or generate income in Turkey via a business or a regular agent was increased to 15% from 10%.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. 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 three months and twenty five days 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.

In Turkey, 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 details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's 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 for corporate income tax purposes.

**Ekspo Faktoring Anonim Şirketi**

Notes to the Financial Statements  
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**9 Taxation (Continued)**

The statement of profit or loss and comprehensive income for the years ended 31 December is different than the amounts computed by applying the statutory tax rate to profits before income taxes.

	<u>2017</u>		<u>2016</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
Reported profit before income taxes	26,064		21,304	
Taxes on reported profit per statutory tax rate	(5,213)	(20)	(4,261)	(20)
<i>Permanent differences:</i>				
Non-taxable expenses/deductions	36		(15)	
<b>Income tax expense</b>	<b>(5,177)</b>		<b>(4,276)</b>	

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

	<u>2017</u>	<u>2016</u>
Current tax expense	6,623	4,529
Deferred tax expense	(1,446)	(253)
<b>Income tax expense</b>	<b>(5,177)</b>	<b>(4,276)</b>

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

The taxes payable on income at 31 December comprised the following:

	<u>2017</u>	<u>2016</u>
Taxes on income	6,623	4,529
Less: Corporation taxes paid in advance	(4,931)	(3,734)
<b>Income taxes payable</b>	<b>1,692</b>	<b>795</b>

For the years ended 31 December 2017 and 2016, movement of the Company's net deferred tax assets and liabilities is as follows:

	<u>2017</u>	<u>2016</u>
Opening balance	1,586	1,333
Deferred tax income recognized in profit or loss	1,446	253
<b>Closing balance</b>	<b>3,032</b>	<b>1,586</b>

**Ekspo Faktoring Anonim Şirketi***Notes to the Financial Statements**as at and for the Year Ended 31 December 2017**(Currency: Thousands of Turkish Lira ("TL") unless otherwise stated)***9 Taxation (Continued)**

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

As at 31 December, details of deferred tax assets and deferred tax liabilities calculated by the prevailing tax rate are as follows:

	Temporary differences		Deferred tax assets/(liabilities)	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
Unearned interest income	13,720	7,215	3,018	1,443
Reserve for employee severance payments	624	532	125	106
Reserve for employee permission payments	157	128	31	26
Prepaid commissions	419	665	93	133
<b>Deferred tax assets</b>	<b>14,920</b>	<b>8,540</b>	<b>3,267</b>	<b>1,708</b>
Derivative financial instruments	288	348	58	70
Tangible assets, and intangible assets	807	176	177	35
Prepaid commissions	-	85	-	17
<b>Deferred tax liabilities</b>	<b>1,095</b>	<b>609</b>	<b>235</b>	<b>122</b>
<b>Deferred tax assets (net)</b>			<b>3,032</b>	<b>1,586</b>

For the years ended 31 December 2017 and 2016, all movements in the deferred tax assets and liabilities have been recognised in profit or loss. As at 31 December 2017 and 2016, there are no unrecognised deferred tax assets and liabilities. Future profit projections and potential tax planning strategies have been taken into consideration during assessment of recoverability of deferred tax assets.

**Ekspo Faktoring Anonim Şirketi***Notes to the Financial Statements**as at and for the Year Ended 31 December 2017**(Currency: Thousands of Turkish Lira ("TL") unless otherwise stated)***10 Cash and cash equivalents**

As at 31 December, cash and cash equivalents are as follows:

	<u>2017</u>	<u>2016</u>
Demand deposits at banks	4,140	4,447
<b>Total cash and cash equivalents</b>	<b>4,140</b>	<b>4,447</b>

As at 31 December 2017, there is not any blockage on bank deposits (31 December 2016: None).

**11 Factoring receivables**

At 31 December, factoring receivables comprised the following:

	<u>2017</u>	<u>2016</u>
Domestic factoring receivables	392,468	272,884
Export and import factoring receivables	54,228	65,783
Impaired factoring receivables	3,233	4,247
Factoring receivables, gross	449,929	342,946
Unearned factoring interest income	(13,720)	(7,215)
Allowance for impaired factoring receivables	(3,233)	(4,247)
<b>Factoring receivables</b>	<b>432,976</b>	<b>331,452</b>

The Company has obtained the following collaterals for its receivables at 31 December are as follows:

	<u>2017</u>	<u>2016</u>
Customer notes and cheques	256,217	169,996
Mortgage	19,092	14,177
Suretyship	3,974,022	2,639,959
<b>Total</b>	<b>4,249,331</b>	<b>2,824,132</b>

Movements in the allowance for impaired factoring receivables during the years ended 31 December are as follows:

	<u>2017</u>	<u>2016</u>
Balance at the beginning of the year	4,247	4,401
Sold loans (*)	(1,828)	(1,526)
Provision for the year	1,245	1,736
Recoveries during the year	(431)	(364)
<b>Balance at the end of the year</b>	<b>3,233</b>	<b>4,247</b>

(\*) The Company has sold non-performing loans amounting to 1,828 TL with %100 provision at the price of 0.5 TRY (31 December 2016: 1,526 TL-1 TL)

As at 31 December, the ageing analysis of the impaired factoring receivables are as follows:

	<u>2017</u>	<u>2016</u>
Overdue 1 to 3 months	1,245	354
Overdue 3 to 12 months	-	1,351
Overdue over 1 year	1,988	2,542
	<b>3,233</b>	<b>4,247</b>

**Ekspo Faktoring Anonim Şirketi***Notes to the Financial Statements**as at and for the Year Ended 31 December 2017**(Currency: Thousands of Turkish Lira ("TL") unless otherwise stated)***12 Other assets**

As at 31 December, other assets are as follows:

	<u>2017</u>	<u>2016</u>
Prepaid expenses	540	410
Others	867	535
	<u>1,407</u>	<u>945</u>

**13 Assets held for sale**

As at 31 December 2017, there are no assets classified as held for sale. (2016: None).

**14 Investment properties**

Movement of investment properties and related accumulated depreciation during the year ended 31 December 2017 is as follows:

	<u>1 January</u> <u>2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>31 December</u> <u>2017</u>
<b>Cost</b>				
Buildings	1,344	-	-	1,344
	<u>1 January</u> <u>2017</u>	<u>Year</u> <u>Charge</u>	<u>Disposals</u>	<u>31 December</u> <u>2017</u>
<b>Less: Accumulated Depreciation</b>				
Buildings	249	26	-	275
<b>Net carrying value</b>	<u>1,095</u>			<u>1,069</u>

Movement of investment properties and related accumulated depreciation during the year ended 31 December 2016 is as follows:

	<u>1 January</u> <u>2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>31 December</u> <u>2016</u>
<b>Cost</b>				
Buildings	1,344	-	-	1,344
	<u>1 January</u> <u>2016</u>	<u>Year</u> <u>Charge</u>	<u>Disposals</u>	<u>31 December</u> <u>2016</u>
<b>Less: Accumulated Depreciation</b>				
Buildings	226	23	-	249
<b>Net carrying value</b>	<u>1,118</u>			<u>1,095</u>

Investment properties include a flat owned by the Company which is property held either to earn rental income or for capital appreciation or for both. The investment properties are amortized with straight-line method over its estimated useful life of 50 years.

**Ekspo Faktoring Anonim Şirketi***Notes to the Financial Statements**as at and for the Year Ended 31 December 2017**(Currency: Thousands of Turkish Lira ("TL") unless otherwise stated)***14 Investment properties (Continued)****Fair value measurement of the Company's investment properties**

The fair value of the investment property of the Company is determined by an independent real estate appraisal company as of 31 December 2017 and 2016. The appraisal company has the appropriate qualification and experience for the valuation of property. The expertise report was prepared in accordance with International Valuation Standards and by considering the market prices of the similar properties around the same locations with the related properties.

Details of the Company's investment properties and information about the fair value hierarchy as at 31 December are as follows:

	Carrying value	Fair value as at 31 December 2017		
	31 December 2017	Level 1 TL	Level 3 TL	Level 3 TL
	Commercial property	1,069	-	-

  

	Carrying value	Fair value as at 31 December 2016		
	31 December 2016	Level 1 TL	Level 3 TL	Level 3 TL
	Commercial property	1,095	-	-

**15 Tangible Assets**

Movement of tangible assets and related accumulated depreciation during the year ended 31 December 2017 is as follows:

	<u>1 January</u> <u>2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>31 December</u> <u>2017</u>
<b>Cost</b>				
Motor vehicles	1,833	-	-	1,833
Furniture and fixtures	606	56	(34)	628
Leasehold improvements	345	-	-	345
Others (*)	831	19	-	850
<b>Total cost</b>	<b>3,615</b>	<b>75</b>	<b>-</b>	<b>3,656</b>
	<u>1 January</u> <u>2017</u>	<u>Year</u> <u>charge</u>	<u>Disposals</u>	<u>31 December</u> <u>2017</u>
<b>Less: Accumulated depreciation</b>				
Motor vehicles	1,396	195	(34)	1,557
Furniture and fixtures	462	56	-	518
Leasehold improvements	341	4	-	341
<b>Total accumulated depreciation</b>	<b>2,199</b>	<b>255</b>	<b>-</b>	<b>2,416</b>
<b>Net carrying value</b>	<b>1,416</b>			<b>1,262</b>

(\*) Other item included tables which are not subject to depreciation.

**Ekspo Faktoring Anonim Şirketi**

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**15 Tangible assets (Continued)**

Movement of tangible assets and related accumulated depreciation during the year ended 31 December 2016 is as follows:

	<u>1 January</u> <u>2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>31 December</u> <u>2016</u>
<b>Cost</b>				
Motor vehicles	1,833	-	-	1,833
Furniture and fixtures	586	20	-	606
Leasehold improvements	345	-	-	345
Others (*)	831	-	-	831
<b>Total cost</b>	<b>3,595</b>	<b>20</b>	<b>-</b>	<b>3,615</b>

	<u>1 January</u> <u>2016</u>	<u>Year</u> <u>charge</u>	<u>Disposals</u>	<u>31 December</u> <u>2016</u>
<b>Less: Accumulated depreciation</b>				
Motor vehicles	1,201	195	-	1,396
Furniture and fixtures	406	56	-	462
Leasehold improvements	337	4	-	341
<b>Total accumulated depreciation</b>	<b>1,944</b>	<b>255</b>	<b>-</b>	<b>2,199</b>
<b>Net carrying value</b>	<b>1,671</b>			<b>1,416</b>

(\*) Others comprise paintings and other decorative items which are not depreciated.

As at 31 December 2017, total amount of insurance on tangible assets is TL 3,108 (31 December 2016: TL 3,009) and total amount of insurance premium on tangible assets is TL 39 (31 December 2016: TL 31). As at 31 December 2017 and 2016, there is no pledge on tangible assets.



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**16 Intangible assets**

Movement of intangible assets and related accumulated amortisation during the year ended 31 December 2017 is as follows:

	<u>1 January</u> <u>2017</u>	<u>Additions</u>	<u>Disposals</u>	<u>31 December</u> <u>2017</u>
<b>Cost</b>				
Rights	261	-	-	261
	<u>1 January</u> <u>2017</u>	<u>Current year</u> <u>charge</u>	<u>Disposals</u>	<u>31 December</u> <u>2017</u>
<b>Less: Accumulated amortisation</b>				
Rights	182	25	-	207
<b>Net carrying value</b>	<b>79</b>			<b>54</b>

Movement of intangible assets and related accumulated amortisation during the year ended 31 December 2016 is as follows:

	<u>1 January</u> <u>2016</u>	<u>Additions</u>	<u>Disposals</u>	<u>31 December</u> <u>2016</u>
<b>Cost</b>				
Rights	239	22	-	261
	<u>1 January</u> <u>2016</u>	<u>Current year</u> <u>charge</u>	<u>Disposals</u>	<u>31 December</u> <u>2016</u>
<b>Less: Accumulated amortisation</b>				
Rights	158	24	-	182
<b>Net carrying value</b>	<b>81</b>			<b>79</b>

As at 31 December 2017 and 2016, the Company does not have any internally generated intangible assets.

**Ekspo Faktoring Anonim Şirketi***Notes to the Financial Statements**as at and for the Year Ended 31 December 2017**(Currency: Thousands of Turkish Lira ("TL") unless otherwise stated)***17 Borrowings**

As at 31 December, borrowings are as follows:

	2017			
	Original Amount	Nominal Interest Rate (%) (*)	TL amount Up to 1 year	1 year and over
TL	230,203	13.24 – 16.25	230,203	-
TL (**)	3,601	5	3,601	-
USD	2,244	0.5- 2.95	10,140	-
EUR	10,837	1.63 – 5.26	41,519	-
GBP	-	-	3	-
<b>Total</b>			<b>285,466</b>	-

  

	2016			
	Original Amount	Nominal Interest Rate (%) (*)	TL amount Up to 1 year	1 year and over
TL	148,209	10.48-13.10	148,209	-
TL (**)	10,492	3.60-3.65	10,492	-
EUR	3,523	0.5-2.95	13,077	-
USD	13,778	1.23-4.19	48,823	-
GBP	93	0.75-3.13	407	-
<b>Total</b>			<b>221,008</b>	-

(\*) These rates represent the average nominal interest rate range of outstanding borrowings with fixed and floating rates as at 31 December 2017 and 2016.

(\*\*) Includes the balances with reference to foreign currency indexed bank borrowings.

As at 31 December 2017, the Company has cheques and promissory notes amounting to TL 412,168 (31 December 2016: TL 308,831) given as collateral against its outstanding bank borrowings.

**Ekspo Faktoring Anonim Şirketi***Notes to the Financial Statements**as at and for the Year Ended 31 December 2017**(Currency: Thousands of Turkish Lira ("TL") unless otherwise stated)***18 Debt securities issued**

As of 31 December 2017, debt securities issued is follow (31 December 2016: None) ;

<b>31 December 2017</b>					
	<b>Currency</b>	<b>Maturity</b>	<b>Interest Rate</b>	<b>Notional Amount</b>	<b>Book Value</b>
Bond(*)	TL	5 June 2018	%15.24	20,000	18,740
				<b>20,000</b>	<b>18,740</b>

(\*) The company issued debt with nominal amount to 20,000 TL and interest rate %15.24 with maturity 5 June 2018. Debt book value is 18,740 TL.

**19 Factoring payables**

As at 31 December, factoring payables comprised the following:

	<b>2017</b>	<b>2016</b>
Domestic factoring payables	8,717	5,932
<b>Total</b>	<b>8,717</b>	<b>5,932</b>

Factoring payables represent the amounts collected on behalf of but not yet paid to the factoring customers at the reporting date.

**20 Other liabilities**

As at 31 December, other liabilities comprised the following:

	<b>2017</b>	<b>2016</b>
Taxes and duties other than on income tax	698	456
Trade payables to vendors	383	295
Unearned income	419	665
Social security payables	84	77
<b>Total</b>	<b>1,656</b>	<b>1,493</b>

**Ekspo Faktoring Anonim Şirketi***Notes to the Financial Statements**as at and for the Year Ended 31 December 2017**(Currency: Thousands of Turkish Lira ("TL") unless otherwise stated)***21 Derivative financial assets and liabilities**

The Company uses currency swap derivative instruments. "Currency swaps" are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies. The Company uses these derivative financial instruments, not designated in a qualifying hedge relationship, to manage its exposure to foreign currency risk.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Company's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The fair values of derivative instruments held as at 31 December, which represent the carrying values are as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Assets</u>	<u>Liabilities</u>	<u>Assets</u>	<u>Liabilities</u>
Currency swap purchases and sales	1,374	567	684	508
	<b>1,374</b>	<b>567</b>	<b>684</b>	<b>508</b>

As at 31 December 2017 and 2016, the details of derivative transactions are presented in Note 25.

**Ekspo Faktoring Anonim Şirketi**

Notes to the Financial Statements  
as at and for the Year Ended 31 December 2017

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

**22 Provision for employee severance indemnity**

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay, maximum of TL 4.732,48 at 31 December 2017 (2016: TL 4.297,21) 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.

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

	<u>2017</u>	<u>2016</u>
Balance at the beginning of the year	532	487
Interest cost	18	18
Service cost	180	140
Paid during the year	(104)	(129)
Actuarial difference	(2)	16
<b>Balance at the end of the year</b>	<b>624</b>	<b>532</b>

	<u>2017</u>	<u>2016</u>
<b>Provision for employee benefits</b>		
Unused vacation liability	157	128
	<b>157</b>	<b>128</b>

**Unused Vacation Liability Movement**

	<u>2017</u>	<u>2016</u>
Balance at the beginning of the year	128	199
Current charge (benefit)	29	(71)
	<b>157</b>	<b>128</b>

## Ekspo Faktoring Anonim Şirketi

Notes to the Financial Statements

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

### 23 Capital and reserves

#### 23.1 Paid-in capital

At 31 December 2017 the Company's nominal value of authorized and paid-in share capital amounts to TL 60,000,000 (2016: TL 60,000,000) comprising registered shares of par value of TL 1 each. Adjustment to share capital represents the restatement effect of the cash contributions to share capital equivalent to purchasing power of TL as of 31 December 2005.

As at 31 December, the composition of the authorized and paid-in share capital are as follows:

	<u>2017</u>		<u>2016</u>	
	<u>Share (%)</u>	<u>TL</u>	<u>Share (%)</u>	<u>TL</u>
M. Semra Tümay	49.00	29,400	49.00	29,400
Murat Tümay	25.50	15,300	25.50	15,300
Zeynep Ş. Akçakayalıoğlu	25.50	15,300	25.50	15,300
Share capital	100%	60,000	100%	60,000
Adjustment to share capital		279		279
<b>Total share capital</b>		<b>60,279</b>		<b>60,279</b>

#### 23.2 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 is 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.

#### 23.3 Dividends

According to the decisions made at the extraordinary general assembly meeting held on 12 January 2017 and 6 July 2017 the Company has decided to distribute dividend to shareholders amount to 2,000 TL and 2,500 TL, respectively. As of 31 December 2017 all dividend amounts paid to shareholders.

According to the decision based on the extraordinary general assembly meeting held on 8 January 2018, the Company has decided to distribute dividend to shareholders amount to TL 2,400 and all amounts has been paid.

## **Ekspo Faktoring Anonim Şirketi**

*Notes to the Financial Statements*

*as at and for the Year Ended 31 December 2017*

*(Currency: Thousands of Turkish Lira ("TL") unless otherwise stated)*

### **24 Risk management disclosures**

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

- credit risk
- market risk
- liquidity risk

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

#### ***Credit risk***

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

At 31 December 2017, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

**Ekspo Faktoring Anonim Şirketi***Notes to the Financial Statements**as at and for the Year Ended 31 December 2017**(Currency: Thousands of Turkish Lira ("TL") unless otherwise stated)***24 Risk management disclosures (Continued)*****Credit risk (Continued)***

As at 31 December, the breakdown of the factoring receivables by industrial groups is as follows:

	<b><u>2017</u></b>	<b><u>%</u></b>	<b><u>2016</u></b>	<b><u>%</u></b>
Financial Services	103,195	24%	63,988	19%
Construction	57,757	13%	30,369	9%
Retail and wholesale trade	47,543	11%	56,476	17%
Iron, steel, coal, petroleum, other mines	39,311	9%	25,262	8%
Leather industry	32,617	8%	19,436	6%
Textiles	29,769	7%	57,478	17%
Agriculture and ranching	29,046	7%	29,927	9%
Wood and Wooden Products	20,038	5%	24,561	7%
Transportation, storage and communication	19,560	5%	6,317	2%
Tourism	15,829	4%	-	0%
Electrical equipment	10,651	2%	1,115	0%
Non-metal industry	5,898	1%	2,102	1%
Machinery and equipment	5,034	1%	333	0%
Food, beverages and tobacco	4,620	1%	543	0%
Chemicals and pharmaceuticals	3,292	1%	4,847	1%
Cultural, recreational and sports activities	2,543	1%	646	0%
Rubber and plastic goods	2,422	1%	6,402	2%
Computer and computer equipment	1,086	0%	1,436	0%
Researching, consulting and advertising	801	0%	-	0%
Other	1,964	0%	214	0%
	<b>432,976</b>	<b>100.00</b>	<b>331,452</b>	<b>100.00</b>

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

As at 31 December 2017 and 2016, details of the financial assets exposed to credit risk are as follows:

	<b><u>2017</u></b>	<b><u>2016</u></b>
Cash at banks	4,140	4,447
Factoring receivables, net	432,976	331,452
Derivative financial assets	1,374	684



**Ekspo Faktoring Anonim Şirketi**

Notes to the Financial Statements  
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**24 Risk management disclosures (Continued)****Market risk**

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

**Interest rate risk**

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Company's business strategies.

The table below summarize average effective interest rates by major currencies for monetary financial instruments at 31 December:

	31 December 2017				31 December 2016			
	ABD Doları (%)	Avro (%)	GBP (%)	TL (%)	ABD Doları (%)	Avro (%)	GBP (%)	TL (%)
<b>Assets</b>								
Factoring receivables	6.21	2.30	4.21	19.69	3.79	1.20	3.86	17.19
<b>Liabilities</b>								
Borrowings	4.17	0.68	-	15.56	3.24	0.84	0.76	11.60
Debt issued	-	-	-	15.24	-	-	-	-

**Ekspo Faktoring Anonim Şirketi***Notes to the Financial Statements**as at and for the Year Ended 31 December 2017**(Currency: Thousands of Turkish Lira ("TL") unless otherwise stated)***24 Risk management disclosures (Continued)****Market risk (Continued)***Interest rate profile*

At 31 December, the interest rate profile of the interest-bearing financial instruments is as follows:

	<u>Carrying Amount</u>	
	<u>2017</u>	<u>2016</u>
<b>Fixed rate instruments</b>		
Factoring receivables	123,310	185,019
Loans and borrowings	230,204	148,209
<b>Floating rate instruments</b>		
Factoring receivables	309,666	146,433
Loans and borrowings	55,262	72,799
Debt Issued	18,740	-

*Cash flow sensitivity analysis for variable rate instrument*

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

	<u>Profit or (loss)</u>	
	<u>100 bp increase</u>	<u>100 bp decrease</u>
<b>2017</b>		
Floating rate instruments	159	(159)
<b>2016</b>		
Floating rate instruments	76	(76)

*Fair value sensitivity analysis for fixed rate instruments*

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

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

*Foreign currency risk*

The Company is exposed to currency risk through transactions (such as factoring operations and borrowings) in foreign currencies. As the currency in which the Company presents its financial statements is TL, the financial statements are affected by movements in the exchange rates against TL. The Company uses currency swap contracts to manage its exposure to foreign currency risk, which will be realized in a short period of time.

As at 31 December, the foreign currency position of the Company is as follows (TL equivalents):

	<u>31 December 2017</u>	<u>31 December 2016</u>
A. Foreign currency monetary assets	60,129	79,170
B. Foreign currency monetary liabilities	(62,898)	(77,034)
C. Derivative financial instruments	807	176
<b>Net foreign currency position (A+B+C)</b>	<b>(1,962)</b>	<b>2,312</b>

**Ekspo Faktoring Anonim Şirketi**

Notes to the Financial Statements  
as at and for the Year Ended 31 December 2017

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**24 Risk management disclosures (Continued)****Market risk (Continued)****Foreign currency risk (Continued)**

As at 31 December, TL equivalents of the currency risk exposures of the Company are as follows:

**31 December 2017**

	<u>USD</u>	<u>Euro</u>	<u>GBP</u>	<u>Total</u>
<b>Foreign currency monetary assets</b>				
Cash and cash equivalents	2,959	1,029	55	4,043
Factoring receivables	43,182	11,083	1,812	56,077
Other assets	4	-	5	9
<b>Total foreign currency monetary assets</b>	<b>46,145</b>	<b>12,112</b>	<b>1,872</b>	<b>60,129</b>
<b>Foreign currency monetary liabilities</b>				
Loans and borrowings	45,120	10,140	3	55,263
Factoring payables	2,920	2,666	1,821	7,407
Other payables	76	150	2	228
<b>Total foreign currency monetary liabilities</b>	<b>48,116</b>	<b>12,956</b>	<b>1,826</b>	<b>62,898</b>
<b>Net on balance sheet position</b>	<b>(1,971)</b>	<b>(844)</b>	<b>46</b>	<b>(2,769)</b>
Off balance sheet net notional position	807	-	-	807
<b>Net position</b>	<b>(1,164)</b>	<b>(844)</b>	<b>46</b>	<b>(1,962)</b>

**31 December 2016**

	<u>USD</u>	<u>Euro</u>	<u>GBP</u>	<u>Total</u>
<b>Foreign currency monetary assets</b>				
Cash and cash equivalents	4,095	53	118	4,266
Factoring receivables(*)	57,873	14,003	3,024	74,900
Other assets	4	-	-	4
<b>Total foreign currency monetary assets</b>	<b>61,972</b>	<b>14,056</b>	<b>3,142</b>	<b>79,170</b>
<b>Foreign currency monetary liabilities</b>				
Loans and borrowings(**)	59,315	13,077	407	72,799
Factoring payables	534	995	2,695	4,224
Other payables	5	3	3	11
<b>Total foreign currency monetary liabilities</b>	<b>59,854</b>	<b>14,075</b>	<b>3,105</b>	<b>77,034</b>
<b>Net on balance sheet position</b>	<b>2,118</b>	<b>(19)</b>	<b>37</b>	<b>2,136</b>
Off balance sheet net notional position	176	-	-	176
<b>Net position</b>	<b>2,294</b>	<b>(19)</b>	<b>37</b>	<b>2,312</b>

(\*)TL 1,957 Amounting Factoring Receivables which is foreign currency indexed has been included. (2016: 9,117 TL)

(\*\*) TL 3,601 Amounting loans which is foreign currency indexed has been included (2016:10,492 TL).

**Ekspo Faktoring Anonim Şirketi***Notes to the Financial Statements**as at and for the Year Ended 31 December 2017**(Currency: Thousands of Turkish Lira ("TL") unless otherwise stated)***24 Risk management disclosures (Continued)****Market risk (Continued)***Foreign currency sensitivity analysis*

Depreciation of TL by 10% against the other currencies as at 31 December 2017 and 2016 would have decreased profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, as at 31 December 2017 and 2016 remain constant.

TL	Profit/(Loss)	Profit/(Loss)
	2017	2016
USD	(116)	229
EURO	(84)	(2)
GBP	4	4
<b>Total</b>	<b>(196)</b>	<b>231</b>

<sup>(1)</sup> Equity effect includes profit or loss effect.

**Liquidity risk**

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Company has access to funding sources from banks. The Company continuously assesses liquidity risk by identifying and monitoring changes in funding required in meeting business goals and targets set in terms of the overall Company strategy. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial liabilities of the Company:

	Carrying Amount	Contractual cash flows	31 December 2017			
			3 months or less	3-12 months	1-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>	<b>313,306</b>	<b>316,288</b>	<b>189,900</b>	<b>126,388</b>	-	-
Loans and borrowings	285,466	287,188	180,800	106,388	-	-
Debt issued	18,740	20,000	-	20,000	-	-
Factoring payables	8,717	8,717	8,717	-	-	-
Other liabilities	383	383	383	-	-	-
<b>Derivative financial liabilities</b>	<b>807</b>	<b>824</b>	<b>236</b>	<b>588</b>	-	-
Inflow	1,374	44,589	28,578	16,011	-	-
Outflow	(567)	(43,765)	(28,342)	(15,423)	-	-

**Ekspo Faktoring Anonim Şirketi**

Notes to the Financial Statements  
as at and for the Year Ended 31 December 2017

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

**24 Risk management disclosures (Continued)****Liquidity risk (Continued)**

	31 December 2016					
	Carrying amount	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 years
<b>Non-derivative financial liabilities</b>	<b>227,235</b>	<b>230,536</b>	<b>167,904</b>	<b>62,632</b>	-	-
Loans and borrowings	221,008	224,309	161,677	62,632	-	-
Factoring payables	5,932	5,932	5,932	-	-	-
Other liabilities	295	295	295	-	-	-
<b>Derivative financial liabilities</b>	<b>176</b>	<b>347</b>	<b>180</b>	<b>167</b>	-	-
Inflow	684	9,115	8,497	618	-	-
Outflow	(508)	(8,768)	(8,317)	(451)	-	-

**Capital management**

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to meet local regulatory requirements. The Board of Directors monitors the return on capital, which includes the capital and reserves explained in note 23. The management has evaluated the risk of relatable capital associated with capital cost during these review. There is no change in the capital management policy of the Company in the current year.

**25 Commitments and contingencies**

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

<b>Letters of guarantee</b>	<b>2017</b>	<b>2016</b>
Given Guarantees and suretyship for the benefit of customer	19,092	14,177
<b>Total</b>	<b>19,092</b>	<b>14,177</b>

As at 31 December 2017, the Company has given cheques and notes amounting to TL 412,168 (2016: TL 308,831) as collateral against its outstanding bank borrowings.

**Ekspo Faktoring Anonim Şirketi***Notes to the Financial Statements**as at and for the Year Ended 31 December 2017**(Currency: Thousands of Turkish Lira ("TL") unless otherwise stated)***25 Commitments and contingencies (Continued)**

As at 31 December, commitments for purchase and sale of currencies under swap contracts are as follows:

	<b>31 December 2017</b>		<b>31 December 2016</b>	
	<b>TRY</b>	<b>FC</b>	<b>TRY</b>	<b>FC</b>
Forward purchases	21,906	22,683	3,862	4,300
Forward sales	22,925	20,840	3,681	4,299
	<b>44,831</b>	<b>43,523</b>	<b>7,543</b>	<b>8,599</b>

As at 31 December 2017 and 2016, the details of the Company's items held in custody is as follows:

	<b><u>2017</u></b>	<b><u>2016</u></b>
Customers' Cheques	388,226	282,729
Customers' Notes	200,811	93,881
Mortgages	4,559	4,076
	<b><u>593,596</u></b>	<b><u>380,686</u></b>

## **Ekspo Faktoring Anonim Şirketi**

*Notes to the Financial Statements*

*as at and for the Year Ended 31 December 2017*

*(Currency: Thousands of Turkish Lira ("TL") unless otherwise stated)*

### **26 Related party disclosures**

For the purpose of accompanying financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and their investments are considered and referred to as the related parties. A number of transactions are entered into with the related parties in the normal course of business. These transactions were carried out on an arms-length basis during the normal course of business.

#### **Balances with related parties**

<b><u>Transaction with related parties</u></b>	<b><u>1 January- 31 December 2017</u></b>	<b><u>1 January- 31 December 2016</u></b>
<b>General administrative expenses</b>		
M. Semra Tümay - rental expense	986	821
	<b>986</b>	<b>821</b>

#### **Top management fees and rights:**

As of 31 December 2017 the company paid amount to 5,815 TL to Board of Directors and top management (31 December 2016: 5,007 TL).

### **27 Events after the reporting period**

According to the decision based on the Extraordinary General Assembly Meeting held on 8 January 2018, the Company has decided to distribute dividend to shareholders amounting to TL 2,400 and all amounts has been paid.

The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated 5 December 2017 and numbered 30261.

The 20% corporate tax rate, will be applied as 22% for entities' corporate income for the years 2018, 2019 and 2020 as amended in the provisional clause of article 10 of the Law (To accounting years, which start within the related year for entities appointed a special accounting period.). The rate will be applied in the first temporary tax period in 2018.