EKSPO FAKTORİNG A.Ş.

FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2018
AND INDEPENDENT AUDITOR'S REPORT

Deloitte.

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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 2018, 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 2018, 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
Key impact of recognition of impairment on financial assets and related important disclosures Recognition, Classification, Measurement, and Accounting of Impairment on Factoring Receivables Company's factoring receivables are comprised of import and export receivables (net) amount to 267,796 Thousand TL and expected loss amount to 9,062 Thousand TL. Details on receivables are disclosed in note 11. The company may not determine and account expected credit loss on factoring receivables correctly and timely. 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.	Audit procedures applied for the determined risk; We assessed design and implementation of the significant controls over the expected credit loss. We selected our samples based on audit methodology and our experience and we tested classification of factoring receivables and expected credit loss.

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:

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- 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 Müjde Aslan.

DRT Bağımsız Denetim ve SMMM A.Ş.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

İstanbul, 6 May 2019

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EKSPO FAKTORING ANONIM ŞIRKETI

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

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

	Notes	Current Period 31 December 2018	Prior Period 31 December 2017
Assets			
Cash and cash equivalents	10	15.101	4.140
Derivative financial assets	21	800	1.374
Factoring receivables	11	267.796	432.976
Other assets	12	1.182	1.407
Investment properties	14	1.043	1.069
Tangible assets	15	1.250	1.262
Intangible assets	16	263	54
Deferred tax assets	9	2.320	3.032
Total assets		**289.755**	**445.314**
Liabilities			
Borrowings	17	124.183	285.466
Debt securities issued	18	-	18.740
Derivative financial liabilities	21	573	567
Factoring payables	19	8.261	8.717
Other liabilities	20	1.878	1.656
Income taxes payable	9	1.602	1.692
Reserve for employee severance payments and unused vacation pay liability	22	1.058	781
Total liabilities		**137.555**	**317.619**
Equity			
Share capital	23	60.000	60.000
Adjustment to share capital	23	279	279
Legal reserves	23	13.725	12.482
Retained earnings		78.196	54.934
Total shareholders' equity		**152.200**	**127.695**
Total sharesholders' equity and liabilities		**289.755**	**445.314**

EKSPO FAKTORING ANONIM ŞIRKETI

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Notes	Current Period 1 January- 31 December 2018	Prior Period 1 January- 31 December 2017
Factoring interest income		81.584	58.366
Factoring commission income, net		4.710	5.837
Income from factoring operations		**86.294**	**64.203**
Interest expense on bank borrowings		(30.534)	(26.227)
Interest expense on debt securities issued		(1.260)	(195)
Derivative trading profits, net		(580)	630
Foreign exchange gains / (losses), net		4.522	1.838
Interest income other than on factoring interest income	5	1.290	54
Interest, commission and foreign exchange income, net		**59.732**	**40.303**
Personnel expenses	7	(11.981)	(9.685)
Administrative expenses	8	(3.714)	(3.484)
Provision for impaired factoring receivables,	11	(6.256)	(814)
Depreciation and amortisation expenses	8,14,15,16	(128)	(256)
Profit before income taxes		**37.653**	**26.064**
Income tax expense	9	(8.348)	(5.177)
Profit for the year		**29.305**	**20.887**
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		**29.305**	**20.887**

EKSPO FAKTORING ANONIM ŞIRKETI

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Notes	Share Capital	Adjustment to Share Capital	Legal Reserves	Retained Earnings	Total Equity
Prior Period						
Balances as of 1 January 2017 (Opening Balance)		60.000	279	11.466	39.563	111.308
Profit for the year		-	-	-	20.887	20.887
Transfer to legal reserves		-		1.016	(1.016)	-
Dividend paid		-		-	(4.500)	(4.500)
Balances as of 31 December 2017 (Closing Balance)	23	60.000	279	12.482	54.934	127.695
Current Period						
Balances at 1 January 2018 (Opening Balance)		60.000	279	12.482	54.934	127.695
Profit for the year		-	-	-	29.305	29.305
Transfer to legal reserves		-	-	1.243	(1.243)	-
Dividend paid		-	-	-	(4.800)	(4.800)
Balances at 31 December 2018 (Closing Balance)	23	60.000	279	13.725	78.196	152.200

EKSPO FAKTORING ANONIM ŞIRKETI

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

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

	Notes	Current Period 1 January 31 December 2018	Prior Period 1 January 31 December 2017
A.Cash Flows From Operating Activities:			
Profit for the year		**29.305**	**20.887**
Adjustments for:			
Depreciation and amortisation expense	14, 15, 16	128	306
Provision for employee severance payments	22	180	198
Other expense/(income) accruals		22	4.612
Deferred and income taxes	9	8.348	5.177
Interest income		(82.874)	(58.420)
Interest expenses		30.534	26.227
Provision for impaired factoring receivables (net of collections)	11	6.256	814
Unrealized foreign currency exchange gain/loss		(482)	(216)
Unrealized derivative income / loss	21	580	(630)
		(8.003)	**(1.045)**
Changes in factoring receivables and payables			
Factoring Receivables and Payables		158.376	(96.962)
Changes in other assets		937	(6.804)
Changes in other liabilities		(1.864)	(2.974)
Employee severance paid	22	(59)	(104)
Taxes paid	9	(7.726)	(5.726)
Interest received		82.874	58.420
Proceeds from recoveries of impaired	11	92	431
Net cash provided by / (used in) operating activities		**224.627**	**(54.764)**
B.Cash Flows From Investing Activities:			
Acquisition of property and equipment	15	(87)	(75)
Acquisition of intangible assets	16	(234)	-
Net cash used in investing activities		**(321)**	**(75)**
C.Cash Flows From Financing Activities:			
Debt issued		(18.740)	18.740
Interest paid		(30.534)	(22.984)
Changes in loans and borrowings		(161.283)	63.060
Dividends paid	23	(4.800)	(4.500)
Net cash (used in) / provided from financing activities		**(215.357)**	**54.316**
Effect of changes in foreign exchange rate on cash and cash equivalents		2.012	216
Net increase / (decrease) in cash and cash equivalents (A+B+C)		**10.961**	**(307)**
D. Cash and cash equivalents at the beginning of the period		4.140	4.447
Cash and cash equivalents at the end of the period(A+B+C+D)	10	**15.101**	**4.140**

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.

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

2 Basis of Preparation of Financial Statements *(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
- Note 9 Taxation
- Note 11 Factoring receivables, provision for impairment of doubtful receivables
- Note 14 Investment property
- Note 15 Tangible assets
- Note 16 Intangible assets

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:

	31 December 2018	31 December 2017
USD	5.2609	3.7719
EURO	6.0280	4.5155
GBP	6.6528	5.0803
CHF	5.3352	3.8548

3 Significant Accounting Policies *(Continued)*

(c) Financial Instruments

Financial assets and financial liabilities are recognised in the Company's statement of financial position when the Company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis.

The Company classifies its financial assets as (a) Business model used for managing financial assets, (b) financial assets subsequently measured at amortised cost, at fair value through other comprehensive income or at fair value through profit or loss based on the characteristics of contractual cash flows. The Company reclassifies all financial assets effected from the change in the business model it uses for the management of financial assets. The reclassification of financial assets is applied prospectively from the reclassification date. In such cases, no adjustment is made to gains, losses (including any gains or losses of impairment) or interest previously recognized in the financial statements.

Classification of financial assets

Debt instruments that meet the following conditions are measured subsequently at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order 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.

Debt instruments that meet the following conditions are measured subsequently at fair value through other comprehensive income (FVTOCI):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the 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.

By default, all other financial assets are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset; the Company may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Financial Instruments

Financial assets (cont'd)

(i) Amortised cost and effective interest method

Interest income on financial assets carried at amortized cost is calculated using the effective interest method. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. This income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset:

(a) Credit-impaired financial assets when purchased or generated. For such financial assets, the Company applies the effective interest rate on the amortized cost of a financial asset based on the loan from the date of the recognition in the financial statements.
(b) Non-financial assets that are impaired at the time of acquisition or generation but subsequently become a financial asset that has been impaired. For such financial assets, the Company applies the effective interest rate to the amortized cost of the asset in the subsequent reporting periods.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVTOCI.

Interest income is recognised in profit or loss and is included in the "finance income – interest income" line item.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI (see (i) to (ii) above) are measured at FVTPL. Specifically:

- Investments in equity instruments are classified as at FVTPL, unless the Company designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition (see (iii) above).
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria (see (i) above) are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Company has not designated any debt instruments as at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss to the extent they are not part of a designated hedging relationship (see hedge accounting policy). The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Financial Instruments *(Continued)*

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 expected credit loss and unearned interest income.

The Company measures the loss allowance for factoring receivables at an amount equal to lifetime ECL. The expected credit losses on factoring receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. The Company has recognised a loss allowance of 100% against all receivables over 90 days past due because historical experience has indicated that these receivables are generally not recoverable.

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.

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.

3 Significant Accounting Policies *(Continued)*

(c) Financial Instruments *(Continued)*

Share capital

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.

(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.

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

3 Significant Accounting Policies *(Continued)*

(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.

(h) Impairment

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 the Company 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 of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on:

(1) Cash Equivalents;
(2) Factoring Receivables;

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

(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 19. 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 2018	31 December 2017
Net discount rate	5.45 %	4.69 %
Expected salary / limit increase	10.00 %	6.50 %

3 Significant Accounting Policies *(Continued)*

(i) Employee benefits

(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.

(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.

3 Significant Accounting Policies *(Continued)*

(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.

o) Application of New and Revised International Financial Reporting Standards (IFRSs)

New and amended IFRS Standards that are effective for the current year

Impact of initial application of IFRS 9 Financial Instruments

In the current year, the Company has applied IFRS 9 Financial Instruments (as revised in July 2014) and the related consequential amendments to other IFRS Standards that are effective for an annual period that begins on or after 1 January 2018. The transition provisions of IFRS 9 allow an entity not to restate comparatives. As a result of the first-time adoption of IFRS 9, the cumulative effect due to the first time adoption of IFRS 9 by the Company is recognised in retained earnings as of 1 January 2018 and the comparatives haven't been restated accordingly.

Additionally, the Company adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures that were applied to the disclosures for 2018 and to the comparative period.
IFRS 9 introduced new requirements for:

1) The classification and measurement of financial assets and financial liabilities,
2) Impairment of financial assets, and
3) General hedge accounting.

Details of these new requirements as well as their impact on the Company's financial statements are described below.The Company has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

3 Significant Accounting Policies *(Continued)*

o) Application of New and Revised International Financial Reporting Standards (IFRSs)

New and amended IFRS Standards that are effective for the current year *(Continued)*

Impact of initial application of IFRS 9 Financial Instruments *(Continued)*

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Company has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is 1 January 2018. Accordingly, the Company has applied the requirements of IFRS 9 to instruments that continue to be recognised as at 1 January 2018 and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Specifically:

- debt instruments 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 amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL)

Despite the aforegoing, the Company may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Company may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Company may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

In the current year, the Company has not designated any debt investments that meet the amortised cost or FVTOCI criteria as measured at FVTPL.
When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to retained earnings.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. See (b) below.

3 Significant Accounting Policies *(Continued)*

o) Application of New and Revised International Financial Reporting Standards (IFRSs) *(Continued)*

New and amended IFRS Standards that are effective for the current year *(Continued)*

Impact of initial application of IFRS 9 Financial Instruments *(Continued)*

(a) Classification and measurement of financial assets *(Continued)*

The directors of the Company reviewed and assessed the Company's existing financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Company's financial assets as regards their classification and measurement:

- the Company's investment in corporate bonds that were classified as available-for-sale financial assets under IAS 39 have been classified as financial assets at FVTOCI because they are held within a business model whose objective is both to collect contractual cash flows and to sell the bonds, and they have contractual cash flows that are solely payments of principal and interest on principal outstanding. The change in the fair value on these redeemable notes continues to accumulate in the investment revaluation reserve until they are derecognised or reclassified;
- the Company's investments in equity instruments (neither held for trading nor a contingent consideration arising from a business combination) that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39 have been designated as at FVTOCI. The change in fair value on these equity instruments continues to be accumulated in the investment revaluation reserve;
- there is no change in the measurement of the Company's investments in equity instruments that are held for trading; those instruments were and continue to be measured at FVTPL;

  financial assets classified as held-to-maturity and loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost under IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

(b) Impairment of financial assets

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 the Company 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 of the financial assets. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Specifically, IFRS 9 requires the Company to recognise a loss allowance for expected credit losses on:

(1) Cash Equivalents;
(2) Factoring Receivables;

In particular, IFRS 9 requires the Company to measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses (ECL) if the credit risk on that financial instrument has increased significantly since initial recognition, or if the financial instrument is a purchased or originated credit-impaired financial asset.

3 Significant Accounting Policies *(Continued)*

o) Application of New and Revised International Financial Reporting Standards (IFRSs) *(Continued)*

New and amended IFRS Standards that are effective for the current year *(Continued)*

Impact of initial application of IFRS 9 Financial Instruments *(Continued)*

(b) Impairment of financial assets *(Continued)*

However, if the credit risk on a financial instrument has not increased significantly since initial recognition (except for a purchased or originated credit-impaired financial asset), the Company is required to measure the loss allowance for that financial instrument at an amount equal to 12-months ECL. IFRS 9 also requires a simplified approach for measuring the loss allowance at an amount equal to lifetime ECL for trade receivables, contract assets and lease receivables in certain circumstances.

(c) Classification and measurement of financial liabilities

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

Specifically, IFRS 9 requires that the changes in the fair value of the financial liability that is attributable to changes in the credit risk of that liability be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk 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, but are instead transferred to retained earnings when the financial liability is derecognised. Previously, under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at FVTPL was presented in profit or loss. The application of IFRS 9 has had no impact on the classification and measurement of the Company's financial liabilities.

(d) General hedge accounting

The new general hedge accounting requirements retain the three types of hedge accounting. However, 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 replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about the Company's risk management activities have also been introduced. The company has not applied hedge accounting.

Impact of application of IFRS 15 Revenue from Contracts with Customers
Impact on the Financial Statements

In the current year, the Company has applied IFRS 15 Revenue from Contracts with Customers (as amended in April 2016) which is effective for an annual period that begins on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios.

3 Significant Accounting Policies *(Continued)*

o) Application of New and Revised International Financial Reporting Standards (IFRSs) *(Continued)*

New and amended IFRS Standards that are effective for the current year *(Continued)*

Annual Improvements to IFRS Standards 2014–2016 Cycle

- **IFRS 1:** Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.
- **IAS 28:** Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organization, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

Annual improvements to IFRS Standards 2014-2016 cycle have no impact on the Company's financial statements.

IFRS Interpretation 22 *Foreign Currency Transactions and Advance Consideration*

The interpretation addresses foreign currency transactions or parts of transactions where:

- there is consideration that is denominated or priced in a foreign currency;
- the entity recognizes a prepayment asset or a deferred income liability in respect of that consideration, in advance of the recognition of the related asset, expense or income; and
- the prepayment asset or deferred income liability is non-monetary.

The Interpretations Committee came to the following conclusion:

- The date of the transaction, for the purpose of determining the exchange rate, is the date of initial recognition of the non-monetary prepayment asset or deferred income liability.
  - If there are multiple payments or receipts in advance, a date of transaction is established for each payment or receipt.

IFRS Interpretation 22 has no impact on the Company's financial statements.

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

3 Significant Accounting Policies *(Continued)*

o) Application of New and Revised International Financial Reporting Standards (IFRSs) *(Continued)*

New and revised IFRS Standards in issue but not yet effective

At the date of authorisation of these financial statements, The Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

IFRS 16	Leases
IFRS 17	Insurance Contracts
Amendments to IFRS 9	*Prepayment Features with Negative Compensation*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
IFRIC 23	*Uncertainty over Income Tax Treatments*
IFRS 10 *Consolidated Financial Statements* and IAS 28 (amendments)	*Sale of Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to *IAS 19 Employee Benefits*	*Plan Amendment, Curtailment or Settlement* [1]
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* [1]

[1] Effective from periods on or after 1 January 2019.

The directors do not expect that the adoption of the Standards listed above will have a material impact on the financial statements of the Company in future periods, except as noted below:

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 will supersede the current lease guidance including IAS 17 Leases and the related Interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The date of initial application of IFRS 16 for the Company will be 1 January 2019. The company carries out analysis in order to determine the effects of transition to IFRS 16 and evaluates standard's impact.

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.

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).

The directors of the Company assess the possible impacts of the application of the amendments on the Company's financial statements.

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

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.

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).

31 December 2018	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial assets	-	800	-	800
	-	**800**	-	**800**
Derivative financial liabilities	-	573	-	573
	-	**573**	-	**573**

31 December 2017	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial assets	-	1,374	-	1,374
	-	**1,374**	-	**1,374**
Derivative financial liabilities	-	567	-	567
	-	**567**	-	**567**

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

4 Determination of Fair Values *(Continued)*

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.

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

	2018		2017	
	Carrying amount	Fair Value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	15,101	15,101	4,140	4,140
Factoring receivables	267,796	267,796	432,976	432,976
Financial liabilities				
Bank borrowings	124,183	124,183	285,466	285,466
Debt issued	-	-	18,740	18,740
Factoring payables	8,261	8,261	8,717	8,717
Other liabilities	1,878	1,878	1,656	1,656

Fair value is estimated to approximate carrying value.

Interest Income Other Than Factoring Operations

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

	2018	2017
Interest income on bank deposits	1,263	48
Interest income from securities	27	6
	1,290	**54**

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

6 Other Income

For the year ended 31 December 2018, other income comprises mediation income amounting to TL 0 (2017: TL 0).

7 Personnel Expenses

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

	1 January-31 December 2018	1 January-31 December 2017
Salary expenses	9,273	7,240
Bonus payment	905	842
Social security premium employer's share	767	712
Insurance expenses	476	431
Transportation expenses	185	169
Meal expenses	151	137
Unemployment security employer's share	62	53
Others	162	101
	11,981	**9,685**

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

8 Administrative Expenses

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

	1 January-31 December 2018	1 January-31 December 2017
Rent expenses	1,365	1,018
IT related expenses	349	306
Legal expenses	331	331
Vehicle expenses	189	145
Provisions for employee termination benefits expense	180	196
Audit and consultancy expenses	162	290
Subscription fees	158	183
Taxes and duties other than on income	117	103
Presentation expense	106	91
Communication expenses	53	62
Travel expenses	-	139
Other	704	622
	3,714	**3,486**

9 Taxation

As at 31 December 2017, corporate income tax is levied at the rate of 22% (2017: 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.

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

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.

	2018		2017	
	Amount	*%*	*Amount*	*%*
Reported profit before income taxes	37,653		26,064	
Taxes on reported profit per statutory tax rate	(8,284)	(22)	(5,213)	(20)
Permanent differences:				
Non-taxable expenses/deductions	(64)		36	
Income tax expense	**(8,348)**		**(5,177)**	

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

	2018	2017
Current tax expense	7,636	6,623
Deferred tax expense / (income)	712	(1,446)
Income tax expense	**8,348**	**(5,177)**

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:

	2018	2017
Taxes on income	7,636	6,623
Less: Corporation taxes paid in advance	(6,034)	(4,931)
Income taxes payable	**1,602**	**1,692**

For the years ended 31 December 2018 and 2017, movement of the Company's net deferred tax assets and liabilities is as follows:

	2018	2017
Opening balance	3,032	1,586
Deferred tax income recognized in profit or loss	(712)	1,446
Closing balance	**2,320**	**3,032**

(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 2018	**31 December 2017**	**31 December 2018**	**31 December 2017**
Unearned interest income	10,132	13,720	2,229	3,018
Reserve for employee severance payments	745	624	149	125
Reserve for employee permission payments	313	157	63	31
Prepaid commissions	581	419	128	93
Deferred tax assets	**11,771**	**14,920**	**2,569**	**3,267**
Tangible assets, and intangible assets	555	288	111	58
Derivative financial instruments	227	807	50	177
Prepaid commissions	398	-	88	-
Deferred tax liabilities	**1,180**	**1,095**	**249**	**235**
Deferred tax assets (net)	**10,591**	**13,825**	**2,320**	**3,032**

For the years ended 31 December 2018 and 2017, all movements in the deferred tax assets and liabilities have been recognised in profit or loss. As at 31 December 2018 and 2017, 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.

(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:

	2018	2017
Demand deposits at banks	15,101	4,140
Total cash and cash equivalents	**15,101**	**4,140**

As at 31 December 2018, there is not any blockage on bank deposits (31 December 2017: None).

11 Factoring Receivables

At 31 December, factoring receivables comprised the following:

	2018	2017
Domestic factoring receivables	232,536	392,468
Export and import factoring receivables	45,392	54,228
Total gross carrying amount at default	9,062	3,233
Factoring receivables, gross	286,990	449,929
Unearned factoring interest income	(10,132)	(13,720)
Lifetime expected credit loss	(9,062)	(3,233)
Net factoring receivables	**267,796**	**432,976**

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

	2018	2017
Customer notes and cheques	153,073	256,217
Mortgage	25,015	19,092
Suretyship	4,693,035	3,974,022
Total	**4,871,123**	**4,249,331**

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

	2018	2017
Balance at the beginning of the year	3,233	4,247
Sold loans (*)	(427)	(1,828)
Provision for the year	6,348	1,245
Recoveries during the year	(92)	(431)
Balance at the end of the year	**9,062**	**3,233**

(*) The Company has sold non-performing loans amounting to TL 427 with 100% provision at the price of TRY 0.5 (31 December 2017: TL 1,828 -TL 1).

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

	2018	2017
Overdue 1 to 3 months	4,807	1,245
Overdue 3 to 6 months	1,541	-
Overdue 3 to 12 months	-	-
Overdue over 1 year	2,714	1,988
	9,062	**3,233**

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

12 Other Assets

As at 31 December, other assets are as follows:

	2018	2017
Prepaid expenses	595	540
Others	587	867
	1,182	**1,407**

13 Assets Held For Sale

As at 31 December 2018, there are no assets classified as held for sale. (2017: None).

14 Investment Properties

Movement of investment properties and related accumulated depreciation during the year ended 31 December 2018 is as follows:

	1 January 2018	Additions	Disposals	31 December 2018
Cost				
Buildings	1,344	-	-	1,344

	1 January 2018	Year Charge	Disposals	31 December 2018
Less: Accumulated Depreciation				
Buildings	275	26	-	301
Net carrying value	**1,069**			**1,043**

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

	1 January 2017	Additions	Disposals	31 December 2017
Cost				
Buildings	1,344	-	-	1,344

	1 January 2017	Year Charge	Disposals	31 December 2017
Less: Accumulated Depreciation				
Buildings	249	26	-	275
Net carrying value	**1,095**			**1,069**

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.

(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 2018 and 2017. 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 2018		
	31 December 2018	Level 1 TL	Level 2 TL	Level 3 TL
Commercial property	1,043	-	-	1,043

	Carrying value	Fair value as at 31 December 2017		
	31 December 2017	Level 1 TL	Level 2 TL	Level 3 TL
Commercial property	1,069	-	-	1,069

15 Tangible Assets

Movement of tangible assets and related accumulated depreciation during the year ended 31 December 2018 is as follows:

	1 January 2018	Additions	Disposals	31 December 2018
Cost				
Motor vehicles	1,833	-	(140)	1,693
Furniture and fixtures	628	87	(39)	676
Leasehold improvements	345	-	-	345
Others (*)	850	-	-	850
Total cost	**3,656**	**87**	**(179)**	**3,564**

	1 January 2018	Year charge	Disposals	31 December 2018
Less: Accumulated depreciation				
Motor vehicles	1,557	13	(140)	1,430
Furniture and fixtures	518	64	(39)	543
Leasehold improvements	341	-	-	341
Total accumulated depreciation	**2,416**	**77**	**179**	**2,314**
Net carrying value	**1,262**			**1,250**

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

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

15 Tangible Assets *(Continued)*

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

	1 January 2017	Additions	Disposals	31 December 2017
Cost				
Motor vehicles	1,833	-	-	1,833
Furniture and fixtures	606	56	(34)	628
Leasehold improvements	345	-	-	345
Others (*)	831	19	-	850
Total cost	**3,615**	**75**	**(34)**	**3,656**

	1 January 2017	Year charge	Disposals	31 December 2017
Less: Accumulated depreciation				
Motor vehicles	1,396	195	(34)	1,557
Furniture and fixtures	462	56	-	518
Leasehold improvements	341	4	-	341
Total accumulated depreciation	**2,199**	**255**	**(34)**	**2,416**
Net carrying value	**1,416**			**1,262**

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

As at 31 December 2018, total amount of insurance on tangible assets is TL 3,131 (31 December 2017: TL 3,108) and total amount of insurance premium on tangible assets is TL 45 (31 December 2017: TL 39). As at 31 December 2018 and 2017, there is no pledge on tangible assets. (31 December 2017:None)

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

16 Intangible Assets

Movement of intangible assets and related accumulated amortisation during the year ended 31 December 2018 is as follows:

	1 January 2018	Additions	Disposals	31 December 2018
Cost				
Rights	261	234	-	495

	1 January 2018	Current year charge	Disposals	31 December 2018
Less: Accumulated amortisation				
Rights	207	25	-	232
Net carrying value	**54**			**263**

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

	1 January 2017	Additions	Disposals	31 December 2017
Cost				
Rights	261	-	-	261

	1 January 2017	Current year charge	Disposals	31 December 2017
Less: Accumulated amortisation				
Rights	182	25	-	207
Net carrying value	**79**			**54**

As at 31 December 2018 and 2017, the Company does not have any internally generated intangible assets.

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

17 Borrowings

As at 31 December, borrowings are as follows:

	2018			
	Original Amount	Nominal Interest Rate (%) (*)	TL amount Up to 1 year	1 year and over
TL	56.554	15.50 – 22.90	56.554	-
AVRO	177	1.5 – 3.6	1.069	-
USD	12.650	2.70 – 6.35	66.553	-
GBP	1	-	7	-
Total			**124.183**	-

	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	-
AVRO	2.244	0.5 - 2.95	10.140	-
USD	10.837	1.63 - 5.26	41.519	-
GBP	-	-	3	-
Total			**285.466**	-

(*) These rates represent the average nominal interest rate range of outstanding borrowings with fixed and floating rates as at 31 December 2018 and 2017.

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

As at 31 December 2018, the Company has cheques and promissory notes amounting to TL 256,825 (31 December 2017:TL 412,168) given as collateral against its outstanding bank borrowings.

18 Debt Securities Issued

As of 31 December 2018, there are no debt securities issued and debt securities issued as of 31 December 2017 are as follows;

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

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

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

19 Factoring Payables

As at 31 December, factoring payables comprised the following:

	2018	2017
Domestic factoring payables	8,261	8,717
Total	**8,261**	**8,717**

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:

	2018	2017
Taxes and duties other than on income tax	744	698
Trade payables to vendors	401	383
Unearned income	581	419
Social security payables	99	84
Other	53	72
Total	**1,878**	**1,656**

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:

	2018		2017	
	Assets	Liabilities	Assets	Liabilities
Currency swap purchases and sales	800	573	1,374	567
	800	**573**	**1,374**	**567**

As at 31 December 2018 and 2017, the details of derivative transactions are presented in Note 25.

(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 5,001.76 at 31 December 2018 (2017: TL 4,732.48) per year of employment at the rate of pay applicable at the date of retirement or termination. The principal assumption used in the calculation of the total liability is that the maximum liability for each year of service will increase in line with inflation semi-annually.

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

	2018	2017
Balance at the beginning of the year	**624**	**532**
Interest cost	28	18
Service cost	152	180
Paid during the year	(59)	(104)
Actuarial difference	-	(2)
Balance at the end of the year	**745**	**624**

Provision for employee benefis	2018	2017
Unused vacation liability	313	157
	313	**157**

Unused Vacation Liability Movement

	2018	2017
Balance at the beginning of the year	157	128
Current charge (benefit)	156	29
	313	**157**

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

23 Capital and Reserves

23.1 Paid-in capital

At 31 December 2018 the Company's nominal value of authorized and paid-in share capital amounts to TL 60,000,000 (2017: 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:

	2018		2017	
	Share (%)	TL	Share (%)	TL
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	100.00	60,000	100.00	60,000
Adjustment to share capital		279		279
Total share capital		**60,279**		**60,279**

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 25 April 2018 and 8 June 2018 the Company has decided to distribute dividend to shareholders amount to TL 1.200 and TL 2,400, respectively. As of 31 December 2018 all dividend amounts paid to shareholders.(2017:TL 4,500)

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.

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 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.

(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:

	2018	%	2017	%
Financial Services	51,798	19%	103,195	24%
Construction	43,830	16%	57,757	13%
Retail and wholesale trade	37,231	14%	47,543	11%
Textiles	34,816	13%	29,769	7%
Transportation, storage and communication	20,794	8%	19,560	5%
Wood and Wooden Products	16,659	6%	20,038	5%
Leather industry	15,900	6%	32,617	8%
Agriculture and ranching	15,204	6%	29,046	7%
Iron, steel, coal, petroleum, other mines	11,831	4%	39,311	9%
Rubber and plastic goods	8,730	3%	2,422	1%
Non-metal industry	3,855	1%	5,898	1%
Food, beverages and tobacco	2,096	1%	4,620	1%
Electrical equipment	1,509	1%	10,651	2%
Tourism	1,393	1%	15,829	4%
Cultural, recreational and sports activities	1,081	0%	2,543	1%
Researching, consulting and advertising	623	0%	801	0%
Machinery and equipment	323	0%	5,034	1%
Chemicals and pharmaceuticals	123	0%	3,292	1%
Computer and computer equipment	-	0%	1,086	0%
Other	-	0%	1,964	0%
	267,796	**100.00**	**432,976**	**100.00**

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 2018 and 2017, details of the financial assets exposed to credit risk are as follows:

	2018	2017
Cash at banks	15,101	4,140
Factoring receivables, net	267,796	432,976
Derivative financial assets	800	1,374

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

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 2018				31 December 2017			
	ABD Doları (%)	Avro (%)	GBP (%)	TL (%)	ABD Doları (%)	Avro (%)	GBP (%)	TL (%)
Assets								
Factoring receivables	5.90	6.14	6.22	34.10	6.21	2.30	4.21	19.69
Liabilities								
Borrowings	4.90	2.6	-	16.97	4.17	0.68	-	15.56
Debt issued	-	-	-	-	-	-	-	15.24

(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:

	Carrying Amount	
Fixed rate instruments	**2018**	**2017**
Factoring receivables	91,596	123,310
Loans and borrowings	56,554	230,204
Floating rate instruments		
Factoring receivables	176,200	309,666
Loans and borrowings	67,629	55,262
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.

	Profit or (loss)	
	100 bp increase	**100 bp decrease**
2018		
Floating rate instruments	324	(324)
2017		
Floating rate instruments	159	(159)

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.

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):

	31 December 2018	31 December 2017
A. Foreign currency monetary assets	77,144	60,129
B. Foreign currency monetary liabilities	(76,075)	(62,898)
C. Derivative financial instruments	227	807
Net foreign currency position (A+B+C)	**1,296**	**(1,962)**

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

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 2018

	USD	Euro	GBP	Total
Foreign currency monetary assets				
Cash and cash equivalents	4,626	14	10	4,650
Factoring receivables	66,925	2,493	3,071	72,489
Other assets	5	-	-	5
Total foreign currency monetary assets	**71,556**	**2,507**	**3,081**	**77,144**
Foreign currency monetary liabilities				
Loans and borrowings	67,620	2	7	67,629
Factoring payables	2,495	2,455	3,023	7,973
Other payables	465	5	3	473
Total foreign currency monetary liabilities	**70,580**	**2,462**	**3,033**	**76,075**
Net on balance sheet position	**976**	**45**	**48**	**1,069**
Off balance sheet net notional position	227	-	-	227
Net position	**1,203**	**45**	**48**	**1,296**

31 December 2017

	USD	Euro	GBP	Total
Foreign currency monetary assets				
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
Total foreign currency monetary assets	**46,145**	**12,112**	**1,872**	**60,129**
Foreign currency monetary liabilities				
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
Total foreign currency monetary liabilities	**48,116**	**12,956**	**1,826**	**62,898**
Net on balance sheet position	**(1,971)**	**(844)**	**46**	**(2,769)**
Off balance sheet net notional position	807	-	-	807
Net position	**(1,164)**	**(844)**	**46**	**(1,962)**

(*)TL 1,957 Amounting Factoring Receivables which is foreign currency indexed has been included.)
(**) TL 3,601 amounting borrowing which is foreign currency indexed has been included.

(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 2018 and 2017 would have decreased profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, as at 31 December 2018 and 2017 remain constant.

TL	Profit/(Loss) 2018	Profit/(Loss) 2017
USD	120	(116)
EURO	4	(84)
GBP	5	4
Total	**129**	**(196)**

/(*) 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 contractural maturities of financial liabilities of the Company:

	31 December 2018					
	Carrying Amount	Contractual cash flows	3 months or less	3-12 months	1-5 years	More than 5 years
Non-derivative financial liabilities	**133,426**	**138,286**	**84,483**	**53,803**	-	-
Loans and borrowings	124,183	129,043	75,240	53,803	-	-
Debt issued	-	-	-	-		
Factoring payables	8,261	8,261	8,261	-	-	-
Other liabilities	383	982	982	-		
Derivative financial liabilities	**227**	**(464)**	**(464)**	-	-	-
Inflow	800	2,164	2,164	-	-	-
Outflow	(573)	(2,630)	(2,630)	-	-	-

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

24 Risk Management Disclosures *(Continued)*

Liquidity risk (Continued)

	31 December 2017					
	Carrying Amount	**Contractual cash flows**	**3 months or less**	**3-12 months**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities	**313,306**	**316,288**	**189,900**	**126,388**	**-**	**-**
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			
Derivative financial liabilities	**807**	**824**	**236**	**588**	**-**	**-**
Inflow	1,374	44,589	28,578	16,011	-	-
Outflow	(567)	(43,765)	(28,342)	(15,423)	-	-

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:

Letters of guarantee	**2018**	**2017**
Given Guarantees and suretyship for the benefit of customer	25,015	19,092
Total	**25,015**	**19,092**

As at 31 December 2018, the Company has given cheques and notes amounting to TL 256,825 (2017: TL 412,168) as collateral against its outstanding bank borrowings.

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

	31 December 2018		**31 December 2017**	
	TRY	**FC**	**TRY**	**FC**
Forward purchases	2,164	2,631	21,906	22,683
Forward sales	1,925	2,630	22,925	20,840
	4,089	**5,261**	**44,831**	**43,523**

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

25 Commitments and Contingencies *(Continued)*

As at 31 December 2018 and 2017, the details of the Company's items held in custody is as follows:

	2018	2017
Customers' Cheques	272,611	388,226
Customers' Notes	173,003	200,811
Mortgages	5,467	4,559
	451,081	**593,596**

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.

	1 January-31 December 2018	1 January-31 December 2017
General administrative expenses		
M. Semra Tümay - rental expense	1,330	986
	1,330	**986**

Top management fees and rights:

As of 31 December 2018 the company paid amount to TL 7,399 to Board of Directors and top management (31 December 2017: 5,815 TL).

27 Events After the Reporting Period

None.