EKSPO FAKTORİNG A.Ş.

FINANCIAL STATEMENTS AS AT
31 DECEMBER 2019 AND
INDEPENDENT AUDITOR’S REPORT

Deloitte.

DRT Bağımsız Denetim ve
Serbest Muhasebeci
Mali Müşavirlik A.Ş.
Maslak no1 Plaza
Eski Büyükdere Caddesi
Maslak Mahallesi No:1
Maslak, Sarıyer 34485
İstanbul, Türkiye

Tel : +90 (212) 366 6000
Fax : +90 (212) 366 6010
www.deloitte.com.tr

Mersis No: 0291001097600016
Ticari Sicil No : 304099

CONVENIENCE TRANSLATION OF
INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Ekspo Faktoring A.Ş.

A) Report on the Audit of the Financial Statements

1) Opinion

We have audited the financial statements of Ekspo Faktoring A.Ş. ("the Company"), which comprise the balance sheet as at 31 December 2019, and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to 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 2019, and its financial performance and its cash flows for the year then ended in accordance with "the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Regulations" including the regulation on "The Accounting Practices of Financial Leasing, Factoring and Financing Companies and their Financial Statements" published in the Official Gazette No. 28861 dated 24 December 2013 and the communique on "The Application of Uniform Chart of Accounts and its Guide Book for Financial Leasing, Factoring and Financing Companies" and communiques, circulars and pronouncements published by the BRSA and provisions of Turkish Financial Reporting Standards (TFRS) for the matters not legislated by the aforementioned regulations.

2) Basis of Opinion

We conducted our audit in accordance with the Standards on Independent Auditing ("SIA") which is a part of Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). 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 *Code of Ethics for Independent Auditors* ("Code of Ethics") published by the POA, together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3) 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 Matter	How the matter was addressed in the audit
Recognition, Classification, Measurement, and Accounting of Impairment on Factoring Receivables Company's factoring receivables are comprised of import and export receivables (net) amount to 290,392 Thousand TL, non-performing loans amount to 25,142 Thousands TL and provision amount to 25,142 Thousand TL. Details on receivables are disclosed in note 4. The Company determines overdue factoring receivables and account provision for factoring receivables in accordance with Communique Regarding to provision of receivables for Financial Leasing, Factoring and Financing Companies The Company may not determine and account expected credit loss on factoring receivables correctly in accordance with regulations, or the Company performed determination of expected credit loss correctly but did not comply with the provision ratios that are stated in Comminuque and may not have been able to measure the quality of colleterals correctly. 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 classification of the factoring receivables and their calculation of impairment. We selected our samples based on audit methodology and our experience and we tested classification of factoring receivables and calculation of impairment. Since the Company provisioned a hundred percent of all impaired factoring receivables, no additional procedures required.

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

The Company management is responsible for the preparation and fair presentation of the financial statements in accordance with the BRSA Accounting and Reporting Regulations, 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.

Deloitte.

5) Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

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 the SIA 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 the SIA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. (The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.)

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

B) Report on Other Legal and Regulatory Requirements

In accordance with paragraph four of the Article 402 of TCC, nothing has come to our attention that may cause us to believe that the Company's set of accounts and financial statements prepared for the period 1 January - 31 December 2019 does not comply with TCC and the provisions of the Company's articles of association in relation to financial reporting.

In accordance with paragraph four of the Article 402 of TCC, the Board of Directors provided us all the required information and documentation with respect to our audit.

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

Additional paragraph for English translation:

The effect of the differences between the accounting principles summarized in Section 2 and the accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards (IFRS) have not been quantified and reflected in the accompanying financial statements. The accounting principles used in the preparation of the accompanying financial statements differ materially from IFRS. Accordingly, the accompanying financial statements are not intended to present the Company's financial position and results of its operations in accordance with accounting principles generally accepted in such countries of users of the financial statements and IFRS.

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

Müjde Aslan
Partner

İstanbul, 16 March 2020

EKSPO FAKTORİNG A.Ş. STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

	ASSETS	Notes	THOUSAND TURKISH LIRA Audited CURRENT PERIOD (31/12/2019) TL	FC	Total	Audited PRIOR PERIOD (31/12/2018) TL	FC	Total
I.	**FINANCIAL ASSETS (Net)**		**126**	**11,138**	**11,264**	**11,251**	**4,650**	**15,901**
1.1	Cash and Cash Equivalents	3.1.1	126	11,138	11,264	10,451	4,650	15,101
1.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
1.3	Financial Assets at Fair Value Through Other Comprehensive Income		-	-	-	-	-	-
1.4	Financial Assets at Amortized Cost		-	-	-	-	-	-
1.5	Derivative Financial Assets	3.2.1	-	-	-	800	-	800
1.6	Impaired Financial Assets		-	-	-	-	-	-
1.7	Expected Credit Loss (-)		-	-	-	-	-	-
II.	**FINANCIAL ASSETS MEASURED AT AMORTISED COST (NET)**		**194,843**	**95,549**	**290,392**	**195,307**	**72,489**	**267,796**
2.1	**Factoring Receivables**	**4**	**194,843**	**95,549**	**290,392**	**195,307**	**72,489**	**267,796**
2.1.1	Discounted Factoring Receivables (Net)	4.1	137,459	43,993	181,452	146,293	27,097	173,390
2.1.2	Other Factoring Receivables	4.1	57,384	51,556	108,940	49,014	45,392	94,406
2.2	**Loans**		**-**	**-**	**-**	**-**	**-**	**-**
2.2.1	Consumer Loans		-	-	-	-	-	-
2.2.2	Bank Credit Cards		-	-	-	-	-	-
2.2.3	Installment Commercial Loans		-	-	-	-	-	-
2.4	**Impaired Factoring Receivables (Net)**		-	-	-	-	-	-
2.4.1	Impaired Factoring Receivables	4.2	22,842	2,300	25,142	9,062	-	9,062
2.4.2	Impaired Financial Borrowings		-	-	-	-	-	-
2.4.3	Impaired Receivables from Leasing Activities		-	-	-	-	-	-
2.4.4	Lifetime expected credit loss (-)	4.2	(22,842)	(2,300)	(25,142)	(9,062)	-	(9,062)
2.5	**Expected Credit Loss (-)**		-	-	-	-	-	-
III.	**EQUITY INVESTMENTS**		-	-	-	-	-	-
3.1	**Investments in Associates (Net)**		-	-	-	-	-	-
3.1.1	Associates Valued Based on Equity Method		-	-	-	-	-	-
3.1.2	Unconsolidated Associates		-	-	-	-	-	-
3.2	**Subsidiaries (Net)**		-	-	-	-	-	-
3.2.1	Unconsolidated Financial Subsidiaries		-	-	-	-	-	-
3.2.2	Unconsolidated Non- Financial Subsidiaries		-	-	-	-	-	-
3.3	**Joint Ventures (Net)**		-	-	-	-	-	-
3.3.1	Joint Ventures Valued Based on Equity Method		-	-	-	-	-	-
3.3.2	Unconsolidated Joint Ventures		-	-	-	-	-	-
IV.	**PROPERTY AND EQUIPMENT (Net)**	**5**	**1,671**	**-**	**1,671**	**1,305**	**-**	**1,305**
V.	**INTANGIBLE ASSETS (Net)**	**7**	**282**	**-**	**282**	**263**	**-**	**263**
VI.	**INVESTMENT PROPERTIES (Net)**	**6**	**1,482**	**-**	**1,482**	**1,007**	**-**	**1,007**
VII.	**CURRENT TAX ASSET**	**13**	**1,851**	**-**	**1,851**	-	**-**	-
VIII.	**DEFERRED TAX ASSET**	**13**	**1,508**	**-**	**1,508**	**2,320**	**-**	**2,320**
IX.	**OTHER ASSETS**	**9**	**1,045**	**66**	**1,111**	**1,177**	**5**	**1,182**
	SUB TOTAL		**202,808**	**106,753**	**309,561**	**212,630**	**77,144**	**289,774**
X.	**NON CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)**	**8**	**-**	**-**	**-**	**-**	**-**	**-**
10.1	Held for Sale		-	-	-	-	-	-
10.2	Discontinued Operations		-	-	-	-	-	-
	TOTAL ASSETS		**202,808**	**106,753**	**309,561**	**212,630**	**77,144**	**289,774**

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

EKSPO FAKTORİNG A.Ş. STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)

			THOUSAND TURKISH LIRA					
			Audited			Audited		
	LIABILITIES		CURRENT PERIOD (31/12/2019)			PRIOR PERIOD (31/12/2018)		
		Notes	TL	FC	Total	TL	FC	Total
I.	**FUNDS BORROWED**	**10**	**26,794**	**89,706**	**116,500**	**56,554**	**67,629**	**124,183**
II.	**FACTORING LIABILITIES**	**4.1**	**1,092**	**15,224**	**16,316**	**288**	**7,973**	**8,261**
III.	**LEASE LIABILITIES**		**-**	**-**	**-**	**-**	**-**	**-**
3.1	Financial Lease Liabilities		-	-	-	-	-	-
3.2	Operational Lease Liabilities		-	-	-	-	-	-
3.3	Other		-	-	-	-	-	-
3.4	Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
IV.	**SECURITIES ISSUED (Net)**	**11**	**-**	**-**	**-**	**-**	**-**	**-**
4.1	Bonds		-	-	-	-	-	-
4.2	Assets Backed Securities		-	-	-	-	-	-
4.3	Bills		-	-	-	-	-	-
V.	**FINANCIAL LIABLITIES AT FAIR VALUE THROUGH PROFIT OR LOSS**		**-**	**-**	**-**	**-**	**-**	**-**
VI.	**DERIVATIVE FINANCIAL ASSETS**	3.2.2	**-**	**-**	**-**	**573**	**-**	**573**
VII.	**PROVISIONS**	**14**	**1,317**	**-**	**1,317**	**1,130**	**-**	**1,130**
7.1	Restructuring Provision		-	-	-	-	-	-
7.2	Reserve for Employee Benefits		1,317	-	1,317	1,058	-	1,058
7.3	General Provisions		-	-	-	-	-	-
7.4	Other Provisions		-	-	-	72	-	72
VIII.	**CURRENT TAX LIABILITY**	**13**	**728**	**-**	**728**	**2,445**	**-**	**2,445**
IX.	**DEFERRED TAX LIABILITIES**		**-**	**-**	**-**	**-**	**-**	**-**
X.	**SUBORDINATED DEBT INSTRUMENTS**		**-**	**-**	**-**	**-**	**-**	**-**
XI.	**OTHER LIABILITIES**	**12**	**563**	**350**	**913**	**509**	**473**	**982**
	SUBTOTAL		**30,494**	**105,280**	**135,774**	**61,499**	**76,075**	**137,574**
XII.	**NON CURRENT LIABILITIES HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)**		**-**	**-**	**-**	**-**	**-**	**-**
12.1	Held for Sale		-	-	-	-	-	-
12.2	Discontinued Operations		-	-	-	-	-	-
XIII.	**SHAREHOLDERS' EQUITY**	**15**	**173,787**	**-**	**173,787**	**152,200**	**-**	**152,200**
13.1	Paid-in Capital		60,000	-	60,000	60,000	-	60,000
13.2	Capital Reserves		-	-	-	-	-	-
13.2.1	Share Premium		-	-	-	-	-	-
13.2.2	Share Cancellation Profits		-	-	-	-	-	-
13.2.3	Other Capital Reserves		-	-	-	-	-	-
13.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss		-	-	-	-	-	-
13.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss		-	-	-	-	-	-
13.5	Profit Reserves		15,191	-	15,191	13,725	-	13,725
13.5.1	Legal Reserves		15,191	-	15,191	13,725	-	13,725
13.5.2	Status Reserves		-	-	-	-	-	-
13.5.3	Extraordinary Reserves		-	-	-	-	-	-
13.5.4	Other Profit Reserves		-	-	-	-	-	-
13.6	Income or (Loss)		98,596	-	98,596	78,475	-	78,475
13.6.1	Prior Periods' Income or (Loss)		77,009	-	77,009	49,170	-	49,170
13.6.2	Current Period Income or (Loss)		21,587	-	21,587	29,305	-	29,305
	TOTAL LIABILITIES		**204,281**	**105,280**	**309,561**	**213,699**	**76,075**	**289,774**

EKSPO FAKTORİNG A.Ş. STATEMENT OF OFF BALANCE SHEET ITEMS

			THOUSAND TURKISH LIRA					
			Audited CURRENT PERIOD (31/12/2019)			Audited PRIOR PERIOD (31/12/2018)		
	OFF-BALANCE SHEET	**Notes**	TL	FC	TOTAL	TL	FC	TOTAL
I.	**FACTORING TRANSACTIONS AT RISK**		**28,760**	**24,453**	**53,213**	**20,929**	**18,211**	**39,140**
II.	**FACTORING TRANSACTIONS NOT AT RISK**		**322,853**	**19,240**	**342,093**	**280,465**	**31,874**	**312,339**
III.	**GUARANTEES TAKEN**	**23.1**	**4,372,880**	**783,544**	**5,156,424**	**4,052,803**	**793,305**	**4,846,108**
IV.	**GUARANTEES GIVEN**	**23.2**	**25,008**	**-**	**25,008**	**25,015**	**-**	**25,015**
V.	**COMMITMENTS**	**23.3**	**-**	**-**	**-**	**-**	**-**	**-**
5.1	Irrevocable commitments		-	-	-	-	-	-
5.2	Revocable commitments		-	-	-	-	-	-
5.2.1	Leasing commitments		-	-	-	-	-	-
5.2.1.1	Financial leasing commitments		-	-	-	-	-	-
5.2.1.2	Operational leasing commitments		-	-	-	-	-	-
5.2.2	Other irrevocable commitments		-	-	-	-	-	-
VI.	**DERIVATIVE FINANCIAL INSTRUMENTS**	**23.4**	**-**	**-**	**-**	**4,089**	**5,261**	**9,350**
6.1	Derivative financial instruments held for risk management		-	-	-	-	-	-
6.1.1	Fair value risk hedging transactions		-	-	-	-	-	-
6.1.2	Cash flow risk hedging transactions		-	-	-	-	-	-
6.1.3	Net foreign investment risk hedging transactions		-	-	-	-	-	-
6.2	Transactions for trading		-	-	-	4,089	5,261	9,350
6.2.1	Forward foreign currency buy/sell transaction		-	-	-	4,089	5,261	9,350
6.2.2	Currency swap-buy		-	-	-	-	-	-
6.2.3	Options buy-sell		-	-	-	-	-	-
6.2.4	Currency futures-sell		-	-	-	-	-	-
6.2.5	Other		-	-	-	-	-	-
VII.	**CUSTODY AND PLEDGED ASSETS**	**23.5**	**269,276**	**198,043**	**467,319**	**288,455**	**162,626**	**451,081**
	TOTAL OFF BALANCE SHEET		**5,018,777**	**1,025,280**	**6,044,057**	**4,671,756**	**1,011,277**	**5,683,033**

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

EKSPO FAKTORİNG A.Ş. STATEMENT OF INCOME

	INCOME AND EXPENSES	Notes	THOUSAND TURKISH LIRA Audited CURRENT PERIOD (01/01-31/12/2019)	THOUSAND TURKISH LIRA Audited PRIOR PERIOD (01/01-31/12/2018)
I.	**OPERATING INCOME**	**16**	**74,071**	**86,294**
	FACTORING INCOME	**16**	**74,071**	**86,294**
1.1	Interest Income from Factoring Receivables		69,034	81,584
1.1.1	Discounted		46,126	58,993
1.1.2	Other		22,908	22,591
1.2	Commission and Fee Income from Factoring Receivables		5,037	4,710
1.2.1	Discounted		2,223	1,280
1.2.2	Other		2,814	3,430
	INTEREST INCOME		**-**	**-**
1.3	Interest on Loans		-	-
1.4	Commission and Fee Income from Loans		-	-
	LEASING INCOME		**-**	**-**
1.5	Financial Leasing Income		-	-
1.6	Operational Leasing Income		-	-
1.7	Commission and Fee Income from Leases		-	-
II.	**INTEREST EXPENSE (-)**	**19**	**(10,682)**	**(31,794)**
2.1	Interest Expenses on Loans		(9,770)	(29,525)
2.2	Interest Expenses on Factoring Transactions		-	-
2.3	Financial Leasing Expenses		-	-
2.4	Interest Expense on Money Market Transactions		-	(1,260)
2.5	Other Interest expenses		-	-
2.6	Fees and Commissions Expenses		(912)	(1,009)
III.	**GROSS OPERATING INCOME /LOSS (I+II)**		**63,389**	**54,500**
IV.	**OTHER OPERATING EXPENSES (-)**	**17**	**(20,013)**	**(15,887)**
4.1	Personnel Expenses		(14,834)	(11,981)
4.2	Provisions for Employee Termination Benefits		(248)	(180)
4.3	Research and Development Expenses		-	-
4.4	General Operating Expenses		(4,809)	(3,609)
4.5	Other		(122)	(117)
V.	**NET OPERATING INCOME /LOSS (III+IV)**		**43,376**	**38,613**
VI.	**OTHER OPERATING INCOME**	**18**	**13,035**	**16,163**
6.1	Interest Income from Banks		1,088	1,263
6.2	Interest Income from Reverse Repo Transactions		-	-
6.3	Interest Income on Securities		-	27
6.3.1	Fair Value Through Profit or Loss		-	-
6.3.2	Fair Value Through Other Comprehensive Income		-	-
6.3.4	Measured at Amortized Cost		-	-
6.4	Dividend Income		-	-
6.5	Trading Gains / (Losses) on Securities		-	-
6.6	Gains / (Losses) on Derivate Financial Transactions		573	(182)
6.7	Foreign Exchange Gains / (Losses)		6,302	14,899
6.8	Other		5,072	156
VII.	**PROVISION EXPENSES**	**20**	**(22,395)**	**(6,348)**
7.1	Special Provisions		(22,395)	(6,348)
7.2	Expected Credit Loss		-	-
7.3	General Provisions		-	-
7.4	Other		-	-
VIII.	**OTHER OPERATING EXPENSES (-)**	**21**	**(6,504)**	**(10,775)**
8.1	Provision for Marketable Securities		-	-
8.1.1	Fair Value Through Profit or Loss		-	-
8.1.2	Fair Value Through Other Comprehensive Income		-	-
8.2	Impairment Expenses on Non-current Assets		-	-
8.2.1	Impairment Expenses on Property Plant and Equipments		-	-
8.2.2	Impairment Expenses on Assets Held for Sale		-	-
8.2.3	Impairment Expenses on Intangible Assets		-	-
8.2.4	Impairment Expenses on Subsidiaries		-	-
8.3	Gains / (Losses) on Derivate Financial Transactions		(800)	(580)
8.4	Foreign Exchange Gains / (Losses)		(5,704)	(10,195)
8.5	Other		-	-
IX.	**NET OPERATING INCOME / (EXPENSES) (V+…+VIII)**		**27,512**	**37,653**
X.	**INCOME AFTER MERGER**		**-**	**-**
XI.	**INCOME /(LOSS) FROM INVESTMENTS IN SUBSIDIARIES CONSOLIDATED BASED ON EQUITY METHOD**		**-**	**-**
XII.	**INCOME / (LOSS) ON NET MONETARY POSITION**		**-**	**-**
XIII.	**PROFIT / LOSS BEFORE TAX FROM CONTINUED OPERATIONS (IX+...+XII)**		**27,512**	**37,653**
XIV.	**TAX PROVISIONS FOR CONTINUED OPERATIONS (±)**		**(5,925)**	**(8,348)**
14.1	Current Tax Provision	**13**	(5,113)	(7,636)
14.2	Deferred Tax Expense Effect (-)	**13**	(812)	(712)
14.3	Deferred Tax Income Effect (+)		-	-
XV.	**CURRENT PERIOD PROFIT / LOSS FROM CONTINUED OPERATIONS (XIII±XIV)**		**21,587**	**29,305**
XVI.	**INCOME FROM DISCONTUNIUED OPERATIONS**		**-**	**-**
16.1	Income from Non-Current Assets Held for Sale		-	-
16.2	Profit from Sales of Associates, Subsidiaries and Joint Ventures		-	-
16.3	Income from Other Discontinued Operations		-	-
XVII.	**EXPENSES FOR DISCONTINUED OPERATIONS (-)**		**-**	**-**
17.1	Expenses for Non-current Assets Held for Sale		-	-
17.2	Loss from Sales of Associates, Subsidiaries and Joint Ventures		-	-
17.3	Expenses for Other Discontinued Operations		-	-
XVIII.	**PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XVI-XVII)**		**-**	**-**
XIX.	**TAX PROVISION FOR DISCONTINUED OPERATIONS (±)**		**-**	**-**
19.1	Current Tax Provision		-	-
19.2	Deferred Tax Expense Effect (+)		-	-
19.3	Deferred Tax Income Effect (-)		-	-
XX.	**PROFIT/LOSS BEFORE TAX FROM DISCONTINUED OPERATIONS (XVIII±XIX)**		**-**	**-**
XXI.	**NET PROFIT/(LOSS) (XV+XX)**		**21,587**	**29,305**
	Profit / (Loss) Per Share		**-**	**-**
	Profit / (Loss) Per Share from Continuing Operations		-	-
	Profit / (Loss) Per Share from Discontinued Operations		-	-
	Diluted Profit / (Loss) Per Share		**-**	**-**
	Diluted Profit / (Loss) Per Share from Continuing Operations		-	-
	Diluted Profit / (Loss) Per Share from Discontinued Operations		-	-

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

EKSPO FAKTORİNG A.Ş. STATEMENT OF PROFIT OR LOSS ITEMS ACCOUNTED UNDER SHAREHOLDERS' EQUITY

		Thousands Turkish Lira
		Audited
		Current Period (01/01-31/12/2019)
I.	**CURRENT PERIOD INCOME/LOSS**	**21,587**
II.	**OTHER COMPREHENSIVE INCOME**	**-**
2.1	**Not Reclassified Through Profit or Los**	**-**
2.1.1	Property and Equipment Revaluation Increase/Decrease	-
2.1.2	Intangible Assets Revaluation Increase/Decrease	-
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	-
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.1.5	Tax on Other Comprehensive Income Items Not Reclassified Through Profit or Loss	-
2.2	**Reclassified Through Profit or Loss**	**-**
2.2.1	Foreign Currency Translation Differences	-
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	-
2.2.3	Cash Flow Hedge Income/Loss	-
2.2.4	Foreign Net Investment Hedge Income/Loss	-
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Loss	-
2.2.6	Tax on Other Comprehensive Income Items Reclassified Through Profit or Loss	-
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**21,587**

		Thousands Turkish Lira
		Audited
		Prior Period (01/01-31/12/2018)
I.	**CURRENT PERIOD INCOME/LOSS**	**29,305**
II.	**OTHER COMPREHENSIVE INCOME**	**-**
2.1	**Not Reclassified Through Profit or Los**	**-**
2.1.1	Property and Equipment Revaluation Increase/Decrease	**-**
2.1.2	Intangible Assets Revaluation Increase/Decrease	**-**
2.1.3	Defined Benefit Pension Plan Remeasurement Gain/Loss	**-**
2.1.4	Other Comprehensive Income Items Not Reclassified Through Profit or Loss	**-**
2.1.5	Tax on Other Comprehensive Income Items Not Reclassified Through Profit or Loss	**-**
2.2	**Reclassified Through Profit or Loss**	**-**
2.2.1	Foreign Currency Translation Differences	**-**
2.2.2	Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income	**-**
2.2.3	Cash Flow Hedge Income/Loss	**-**
2.2.4	Foreign Net Investment Hedge Income/Loss	**-**
2.2.5	Other Comprehensive Income Items Reclassified Through Profit or Loss	**-**
2.2.6	Tax on Other Comprehensive Income Items Reclassified Through Profit or Loss	**-**
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**	**29,305**

EKSPO FAKTORİNG A.Ş. STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY						Other Comprehensive Income Items Not Reclassified Through Other Profit or Loss)			Other Comprehensive Income Items Reclassified Through Other Profit or Loss)			THOUSAND TURKISH LIRA							
		Paid in Capital	Capital Reserves	Share Premiums	Share Cancellation	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Profit Reserves	Net Profit / (Loss)	Prior Period Profit / (Loss)	Total Equity
	AUDITED PRIOR PERIOD (01/01/2018-31/12/2018)																			
I.	**Opening Balance**	**60,000**	-	-	-	-	-	-	-	-	-	-	-	**12,482**	-	-	-	**20,887**	**34,326**	**127,695**
II.	**Corrections and Accounting Policy Changes Made According to TAS 8**	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
2.1	Effects of Correction	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
III.	**Adjusted Opening Balance (I+II)**	**60,000**	-	-	-	-	-	-	-	-	-	-		**12,482**	-	-	-	**20,887**	**34,326**	**127,695**
IV.	**Total Comprehensive Income**	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
V.	**Capital Increase by Cash**	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
VI.	**Capital Increase by Internal Sources**	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
VII.	**Paid in Capital Inflation Adjustment Difference**	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
VIII.	**Convertible Bonds to Share**	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
IX.	**Subordinated Debt Instrument**	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
X.	**Increase / Decrease by Other Change**	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
XI.	**Net Profit/ (Loss) for the Period**	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	**29,305**	-	**29,305**
XII.	**Profit Distribution**	-	-	-	-	-	-	-	-	-	-	-		**1,243**	-	-	-	**(20,887)**	**14,844**	**(4,800)**
12.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	(4,800)	(4,800)
12.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-		1,243	-	-	-	-	(1,243)	-
12.3	Other	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	(20,887)	20,887	-
	Period End Balance (I+II+III+...+X+XI+XII)	**60,000**	-	-	-	-	-	-	-	-	-	-		**13,725**	-	-	-	**29,305**	**49,170**	**152,200**
	AUDITED CURRENT PERIOD (01/01/2019-31/12/2019)																			
I.	**Opening Balance**	**60,000**	-	-	-	-	-	-	-	-	-	-	-	**13,725**	-	-	-	**29,305**	**49,170**	**152,200**
II.	**Corrections and Accounting Policy Changes Made According to TAS 8**	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
2.1	Effects of Correction	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
III.	**Adjusted Opening Balance (I+II)**	**60,000**	-	-	-	-	-	-	-	-	-	-		**13,725**	-	-	-	**29,305**	**49,170**	**152,200**
IV.	**Total Comprehensive Income**	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
V.	**Capital Increase by Cash**	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
VI.	**Capital Increase by Internal Sources**	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
VII.	**Paid in Capital Inflation Adjustment Difference**	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
VIII.	**Convertible Bonds to Share**	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
IX.	**Subordinated Debt Instrument**	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
X.	**Increase / Decrease by Other Change**	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
XI.	**Net Profit/ (Loss) for the Period**	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	**21,587**	-	**21,587**
XII.	**Profit Distribution**	-	-	-	-	-	-	-	-	-	-	-		**1,466**	-	-	-	**(29,305)**	**27,839**	-
12.1	Dividends Paid	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-
12.2	Transfers to Reserves	-	-	-	-	-	-	-	-	-	-	-		1,466	-	-	-	-	(1,466)	-
12.3	Other	-	-	-	-	-	-	-	-	-	-	-		-	-	-	-	(29,305)	29,305	-
	Period End Balance (I+II+III+...+X+XI+XII)	**60,000**	-	-	-	-	-	-	-	-	-	-		**15,191**	-	-	-	**21,587**	**77,009**	**173,787**

1. Revaluation Increase/(Decrease) on Property, Plant and Equipments -
2. Defined Benefit Pension Plan Remeasurement Gain/Loss
3. Other Comprehensive Income Items Not Reclassified Through Profit or Loss
4. Foreign Currency Translation Differences
5. Valuation and/or Reclassification Income/Expense of the Financial Assets at Fair Value through Other Comprehensive Income
6. Other Comprehensive Income Items Reclassified Through Profit or Loss

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

EKSPO FAKTORİNG A.Ş. VI. STATEMENT OF CASH FLOWS				
			THOUSAND TURKISH LIRA	
		Notes	Audited CURRENT PERIOD (01/01-31/12/2019)	Audited PRIOR PERIOD (01/01-31/12/2018)
A.	**CASH FLOWS FROM OPERATIONS**			
1.1	**Operating profit before changes in operating assets and liabilities**		**26,281**	**25,144**
1.1.1	Interest Received/Leasing Income		63,068	79,168
1.1.2	Interest Paid/Leasing Expenses		(12,067)	(30,864)
1.1.3	Leasing Expenses		(1,831)	(1,330)
1.1.4	Dividends received		-	-
1.1.5	Fees and commissions received		4,869	4,872
1.1.6	Other income		-	-
1.1.7	Collections from previously written off receivables	**4.2**	4,789	92
1.1.8	Cash payments to personnel and service suppliers		(14,834)	(11,981)
1.1.9	Taxes paid		(9,331)	(7,726)
1.1.10	Other		(8,382)	(7,086)
1.2	**Changes in Assets and Liabilities Subject to Operations**		**(32,110)**	**(11,075)**
1.2.1	Net Increase / Decrease in Factoring Receivables		(35,471)	168,802
1.2.1	Net (Increase) / Decrease in Loans		-	-
1.2.1	Net (Increase) / Decrease in Leases		-	-
1.2.2	Net (Increase) / Decrease in Other Assets		(867)	252
1.2.3	Net (Increase) / Decrease in Factoring Payables		8,055	(456)
1.2.3	Net (Increase) / Decrease in Leasing Liabilities		-	-
1.2.4	Net (Increase) / Decrease in Borrowings		(5,386)	(179,944)
1.2.5	Net (Increase) / Decrease in Matured Payables		-	-
1.2.6	Net (Increase) / Decrease in Other Payables		1,559	271
I.	**Net Cash Provided from Operations**		**(5,829)**	**14,069**
B.	**CASH FLOWS FROM INVESTMENT ACTIVITIES**		-	-
2.1	Cash paid for purchase of joint ventures, associates and subsidiaries		-	-
2.2	Cash obtained from sale of entities joint ventures, associates and subsidiaries		-	-
2.3	Fixed assets purchases	**5 - 6**	(1,077)	(87)
2.4	Fixed assets sales	**5**	16	-
2.5	Cash paid for purchase of financial assets		-	-
2.6	Cash obtained from sale of financial assets		-	-
2.7	Cash paid for purchase of investment securities		-	-
2.8	Cash obtained from sale of investment securities		-	-
2.9	Other	**7**	(120)	(234)
II.	**Net Cash Paid from Investing Activities**		**(1,181)**	**(321)**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**		-	-
3.1	Cash obtained from loans borrowed and securities issued		-	-
3.2	Cash used for repayment of loans borrowed and securities issued		-	-
3.3	Bonds issued		-	-
3.4	Dividends paid	**15.7**	-	(4,800)
3.5	Payments for leases		-	-
3.6	Other		-	-
III.	**Net Cash Flow from Financing Activities**		**-**	**(4,800)**
IV.	**Effect of change in foreign exchange rate on cash and cash equivalents**		**3,173**	**2,012**
V.	**Net increase / (decrease) in cash and cash equivalents**		**(3,837)**	**10,961**
VI.	**Cash and cash equivalents at beginning of the period**	**3.1.1**	**15,101**	**4,140**
VII.	**Cash and cash equivalents at end of the period**	**3.1.1**	**11,264**	**15,101**

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

(Currency - Thousands Turkish Liras unless otherwise indicated.)

1. GENERAL INFORMATION

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 shareholders structure is as follows:

	31 December 2019	Share (%)	31 December 2018	Share (%)
M. Semra Tümay	29,400	49.00	29,400	49.00
Murat Tümay	15,300	25.50	15,300	25.50
Zeynep Ş. Akçakayalıoğlu	15,300	25.50	15,300	25.50
Capital	**60,000**	**100.00**	**60,000**	**100.00**

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

Approval of Financial Statements

The financial statements were approved by the board of directors and authorized for issue on 16 March 2020.

2 EXPLANATIONS ON BASIS OF PRESENTATION

2.1 Basis of Presentation

2.1.1 Application of Accounting Policy Standards

The Company performs according to dated December 24, 2013 and published in the Official Gazette No. 28861 "Financial Leasing, Factoring and Financing Companies for to be applied by the Communiqué on Uniform Chart of Accounts and Prospects" within the scope of Turkey are accounted for in accordance with Accounting Standards.

In the accounting of the activities, Financial Leasing, Factoring and Financing Companies' Accounting Practices and Financials published in the Official Gazette dated 24 December 2013 and numbered 28861 and published in the Official Gazette dated 13 December 2012 and numbered 28496. The provisions of the Regulation on Tables have been applied.

Factoring, Financial Leasing and Financing Companies did not switch to TFRS 9 as of 31 December 2019, according to BRSA's "Regulation on the Amendment to the Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" published on May 2, 2018. In this framework, the Company continues to apply the existing legislation.

2 EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.1 Basis of Presentation (Continued)

2.1.1 Application of Accounting Policy Standards (Continued)

The accompanying financial statements have been prepared in accordance with Turkish Accounting Standards ("TAS") published by Public Oversight Accounting and Auditing Standards Authority ("POA") the supplementary information and the interpretations related to them.

The financial statements have been prepared on the historical cost basis, except for the revaluation of some financial instruments. In determining the historical cost, the fair value of the amount generally paid for the assets is taken as basis.

2.1.2 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.

2.1.3 Financial Reporting in Hyperinflationary Economies

The financial statements of the Company for the periods before 31 December 2004 were adjusted to compensate for the effect of changes in the general purchasing power of the Turkish Lira based on TAS 29 *Financial Reporting in Hyperinflationary Economies*. Turkish Economy is accepted to come off its highly inflationary status as of 1 January 2005. Based on this consideration, TAS 29 has not been applied in the preparation of the financial statements since 1 January 2006.

2.1.4 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.

2.2 Significant Changes in Accounting Policies

Significant changes in accounting policies and significant accounting errors detected are applied retrospectively and prior period financial statements are restated. The company has applied its accounting policies consistent with the prior period.

2.3 Changes in Accounting Estimates and Errors

If the changes in accounting estimates are for only one period, they are applied prospectively in the current period when the change is made, both in the period when the change is made and in the future periods. Significant accounting errors are applied retrospectively and prior period financial statements are restated. There has not been a significant change in the accounting estimates of the Company in the current year.

(Currency - Thousands Turkish Liras unless otherwise indicated.)

2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.4 Application of New and Revised International Financial Reporting Standards

a) New and amended TFRS Standards that are effective for the current year

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

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

TFRS 16 *Leases*

General impact of application of TFRS 16 Leases

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

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

Impact of the new definition of a lease

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

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

- The right to direct the use of that asset.

2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.4 Application of New and Revised International Financial Reporting Standards (Continued)

a) New and amended TFRS Standards that are effective for the current year (Continued)

TFRS 16 *Leases (Continued)*

Impact of the new definition of a lease (Continued)

The Company applied the definition of a lease and related guidance set out in TFRS 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract).

Impact on Lessee Accounting

TFRS 16 changes how the Company accounts for leases previously classified as operating leases under TAS 17, which were off-balance sheet.

On initial application of TFRS 16, for all leases (except as noted below), the Company has:

a) Recognised right-of-use assets and lease liabilities in the statement of financial position, initially measured at the present value of the future lease payments;

b) Recognised depreciation of right-of-use assets and interest on lease liabilities in the statement of profit or loss;

c) Separated the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the cash flow statement.

Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under TAS 17 they resulted in the recognition of a lease liability incentive, amortised as a reduction of rental expenses on a straight-line basis.

Under TFRS 16, right-of-use assets are tested for impairment in accordance with TAS 36 *Impairment of Assets*. This will replace the previous requirement to recognise a provision for onerous lease contracts.

Finance leases

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

2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.4 Application of New and Revised International Financial Reporting Standards (Continued)

a) New and amended TFRS Standards that are effective for the current year (Continued)

Impact on Lessor Accounting

TFRS 16 does not change substantially how a lessor accounts for leases. Under TFRS 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently. However, TFRS 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

Under TFRS 16, an intermediate lessor accounts for the head lease and the sublease as two separate contracts.

TFRS 16 has no impact on financial statements of the Company.

TFRS Interpretation 23 *Uncertainty over Income Tax Treatments*

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

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

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

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

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

Annual Improvements to TFRS Standards 2015–2017 Cycle

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

These standards, amendments and improvements have no impact on the financial position and performance of the Company.

2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.4 Application of New and Revised International Financial Reporting Standards (Continued)

b) New and revised TFRSs in issue but not yet effective

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

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

TFRS 17 Insurance Contracts

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

Amendments to TFRS 3 *Business Combinations*

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

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

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

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

Effects of Revised Accounting policies

In this note, the new accounting policies, which the Company has started to apply as of 1 January 2019, have been disclosed with the effect of application of TFRS 16 Leases standard on the Company's financial statements.

2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.5 Summary of Significant Accounting Policies

(a) 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) Other income and expenses

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

(iii) Financial income and expenses

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

(b) Financial Instruments

Finansal assets

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.

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.

2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

(b) Financial Instruments (Continued)

Financial Assets (Continued)

Amortised cost and effective interest method (Continued)

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.

Financial Assets Measured at Amortised Cost

A financial asset is measured at amortized cost if both of the following conditions are met:

(a) Asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows.

(b) 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.

Financial assets measured at amortised cost are loans and receivables and financial assets. Subsequent to the initial recognition, financial investments are accounted for at amortised cost calculated by using the effective interest rate method. Loans are initially recognized with their cost and carried at their amortized costs calculated using the internal rate of return subsequent to recognition.

Financial Assets Measured at Fair Value through Other Comprehensive Income

A financial asset is measured if both of the following conditions are met:

(a) Financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and

(b) Contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A gain or loss on a financial asset measured at fair value through other comprehensive income shall be recognized in other comprehensive income, except for impairment gains or losses and foreign exchange gains and losses, until the financial asset is derecognized or reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

(b) Financial Instruments (Continued)

Financial Assets (Continued)

Financial assets at the fair value through profit or loss are initially recognized at fair value and remeasured at their fair value after recognition. All gains and losses arising from these valuations are reflected in the statement of profit or loss. However, the Bank may irrevocably prefer to apply to the financial assets at fair value through other comprehensive income for reflecting future changes in fair value for certain investments in equity instruments that would normally be measured at fair value through profit or loss at the time of initial inception in the financial statements.

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.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company utilizes a simplified approach for trade receivables, contract assets and lease receivables that does not have significant financing component and calculates the allowance for impairment against the lifetime ECL of the related financial assets.

For all other financial instruments, the Company recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

(b) Financial Instruments (Continued)

Financial Assets (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.

Hedge Accounting

The Company designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations as appropriate. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. At the inception of the hedge relationship, the Company documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:Hedge accounting is not applied at 31 December 2019 and 2018.

Financial Liabilities

Financial liabilities are classified as at FVTPL on initial recognition. On initial recognition of liabilities other than those that are recognised at FVTPL, transaction costs directly attributable to the acquisition or issuance thereof are also recognised in the fair value.

Financial liabilities at FVTPL: These liabilities including derivative instruments are subsequently measured at fair value.

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss are recorded at their fair value and are revaluated at their fair value at each reporting period.

Changes in their fair values are accounted for in the income statement. Net gains or losses accounted for in the income statement also include the interest paid for the financial liability.

Other Financial Liabilities

Other financial liabilities, including financial liabilities, are initially recognized at fair value.

Other financial liabilities are accounted over the amortized cost value by using the effective interest method together with the interest expense calculated over the effective interest rate in the following periods.

2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

(b) Financial Instruments (Continued)

Financial Liabilities (Continued)

Other Financial Liabilities (Continued)

Effective interest method is the method of calculating the amortized costs of the financial liability and distributing the related interest expense to the related period. Effective interest rate; It is the rate that precisely reduces the estimated future cash payments to be made in the lifetime of the financial instrument or, if appropriate, for a shorter period of time, to the net present value of the relevant financial liability.

(c) Property, Plant and Equipments

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

Depreciation is recognized so as to write off the cost or valuation of assets, other than freehold land and properties under construction, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Estimated useful lives of property, plant and equipment are as follows:

Description	***Years***
Furniture and fixtures	5 years
Vehicles	5 years

(d) Intangible Assets

Purchased Intangible Assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software.

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

2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

(e) Impairment of Assets

At the end of each reporting period, the Company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

(f) Share Capital Increase

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

(g) Employee Benefits

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 TAS 19.

The reserve has been calculated by estimating the present value of the future obligation of the Company that may arise from the retirement and reflected to the financial statements.

(h) Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(Currency - Thousands Turkish Liras unless otherwise indicated.)

2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

(i) Borrowing Costs

All other borrowing costs are recognized in the statement of profit or loss in the period in which they are incurred.

(j) Effects of Currency Changes

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.

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

	31 December 2019	31 December 2018
USD	5.9402	5.2609
EUR	6.6506	6.0280
GBP	7.7765	6.6528
CHF	6.0932	5.3352

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

(k) Earnings per share

Earnings per share is calculated by dividing the net profit for the period by the weighted average number of shares in the Company. The weighted average number of shares is the number of stocks found by multiplying the number of ordinary stocks at the beginning of the period and the number of stocks bought or exported during the period by multiplying by a time-weight factor. Time-weight factor is the ratio of the number of days in which a certain number of shares are issued to the number of days in the total period.

TAS 33 "Accounting Standard for Earnings Per Share" shares are not traded on the stock exchange by the company are not required to disclose earnings per share. Since the shares of the Company are not traded on the stock exchange, earnings per share are not calculated in the accompanying financial statements.

(l) Events after 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 TAS 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.

(m) 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.

2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

(n) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

(o) Financial Leasing Policy

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee.

The Company as lessee

Assets held under finance leases are initially recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

(p) Cash flow Statements

In the cash flow statement, cash flows for the period are classified and reported based on main, investment and financing activities.

Cash flows arising from main activities indicate the cash flows arising from the factoring activities of the Company.

Cash flows related to investment activities show the cash flows used and obtained by the Company in investment activities (fixed investments and financial investments).

Cash flows related to financing activities show the resources used by the Company in financing activities and the repayments of these resources.

(r) 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. The detail of related party balances and transactions are disclosed at note 22.

(Currency - Thousands Turkish Liras unless otherwise indicated.)

2. EXPLANATIONS ON BASIS OF PRESENTATION (Continued)

2.5 Summary of Significant Accounting Policies (Continued)

(s) 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.

(t) Investment Property

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value.

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from disposal. Any gain or loss arising on derecognition of the property is included in profit or loss in the period in which the property is derecognized.

3 FINANCIAL ASSETS, NET

3.1.1 Cash and cash equivalents

As of 31 December 2019 and 2018, there is no cash on hands.

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Cash and Cash Equivalents	126	11,138	10,451	4,650
	126	**11,138**	**10,451**	**4,650**

As of 31 December 2019, there is no blockage on bank deposits. As of 31 December 2019, total amount of time deposits is TL 7.128 (31 December 2018: None). The effective interest rate for time deposits is 2.25% and the maturities are between 27-31 days.

3.1.2 Banks

The detail of bank balances as of 31 December 2019 and 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Demand deposits	126	4,010	10,451	4,650
Time deposits	-	7,128	-	-
	126	**11,138**	**10,451**	**4,650**

(Currency - Thousands Turkish Liras unless otherwise indicated.)

3 FINANCIAL ASSETS , NET (Continued)

3.2 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

3.2.1 Derivative Financial Assets

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

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Derivative Financial Assets	-	-	800	-
	-	**-**	**800**	**-**

3.2.2 Derivative Financial Liabilities

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

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Derivative Financial Liabilities	-	-	573	-
	-	**-**	**573**	**-**

4 FINANCIAL ASSETS MEASURED AT AMORTIZED COST, NET

4.1 Factoring receivables and Payables

Factoring receivables

The detail of factoring receivables as of 31 December 2019 and 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Discounted Factoring receivables	137,459	43,993	146,293	27,097
Other Factoring receivables	57,384	51,556	49,014	45,392
	194,843	**95,549**	**195,307**	**72,489**

(Currency - Thousands Turkish Liras unless otherwise indicated.)

4 FINANCIAL ASSETS MEASURED AT AMORTIZED COST, NET (Continued)

4.1 Factoring receivables and Payables (Continued)

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

	31 December 2019	%	31 December 2018	%
Retail and wholesale trade	45,414	15%	37,231	14%
Textiles	60,967	22%	34,816	13%
Financial Services	21,864	7%	51,798	19%
Tourism	1,334	0%	1,393	1%
Transportation, storage and communication	26,009	9%	20,794	8%
Chemicals and pharmaceuticals	20,274	7%	123	0%
Wood and Wooden Products	23,619	8%	16,659	6%
Construction	15,459	5%	43,830	16%
Iron, steel, coal, petroleum, other mines	28,977	10%	11,831	4%
Agriculture and ranching	1,927	1%	15,204	6%
Machinery and equipment	13,139	4%	323	0%
Non-metal industry	8,721	3%	3,855	1%
Leather industry	705	0%	15,900	6%
Computer and computer equipment	1,400	0%	-	-
Food, beverages and tobacco	1,400	0%	2,096	1%
Researching	17,329	6%	-	-
Electrical equipment	742	0%	1,509	1%
Rubber and plastic goods	-	0%	8,730	3%
Education	-	-	623	0%
Cultural, recreational and sports activities	-	-	1,081	0%
Other	1,112	0%	-	-
	290,392	**100%**	**267,796**	**100%**

As at 31 December 2019, there is no factoring receivables that would otherwise be past due or impaired whose terms have been renegotiated (2018: None).

The Company has no factoring receivables that are linked to protocol as of 31 December 2019 (2018: None).

Factoring Payables

The detail of factoring payables as of 31 December 2019 and 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Factoring payables	1,092	15,224	288	7,973
	1,092	**15,224**	**288**	**7,973**

Factoring payables are the amounts collected on behalf of factoring customers and not yet deposited into the relevant factoring customers account.

(Currency - Thousands Turkish Liras unless otherwise indicated.)

4 FINANCIAL ASSETS MEASURED AT AMORTIZED COST, NET (Continued)

4.2 Impaired Factoring Receivables, Net

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

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Impaired Factoring Receivables	22,842	2,300	9,062	-
Provision	(22,842)	(2,300)	(9,062)	-
Impaired Factoring Receivables, net	**-**	**-**	**-**	**-**

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

	31 December 2019		31 December 2018	
	Total impaired factoring receivables	**Provision**	**Total impaired factoring receivables**	**Provision**
Overdue 0 to 3 months	16,928	(16,928)	4,807	(4,807)
Overdue 3 to 6 months	2	(2)	1,541	(1,541)
Overdue 6 to 12 months	5,538	(5,538)	-	-
Overdue over 1 year	2,674	(2,674)	2,714	(2,714)
Total	**25,142**	**(25,142)**	**9,062**	**(9,062)**

The movement of provision for 31 Decemer 2019 and 2018 are as follows:

	1 January- 31 December 2019	**1 January- 31 December 2018**
Opening	**9,062**	**3,233**
Transferred (*)	(1,526)	(427)
Provision for the period	22,395	6,348
Recovered during the period	(4,789)	(92)
Balance as of 31 December	**25,142**	**9,062**

(*) During the period, the Company has allocated 100 percent provision for the amount of TL 1,526 and transferred all of its impaired receivables to the asset management company with a price of TL 0.5 (31 December 2018: All of the non-performing receivables amounting to TL 427 for the asset with a value of TL 0.5 transferred to the management company).

(Currency - Thousands Turkish Liras unless otherwise indicated.)

5 PROPERTY PLANT AND EQUIPMENTS

Movement of tangible assets and related accumulated depreciation during the year ended 31 December 2019 is as follows:

	2019	Addition	Disposal	31 December 2019
Cost				
Furniture and Fixtures	666	72	-	738
Vehicles	1,679	497	(247)	1,929
Lease Improvements	341	-	-	341
Other (*)	837	-	-	837
	3,523	**569**	**(247)**	**3,845**

	1 January 2019	Depreciation	Disposal	31 December 2019
Depreciation				
Furniture and Fixtures	496	63	-	559
Vehicles	1,381	124	(231)	1,274
Lease Improvements	341	-	-	341
	2,218	**187**	**(231)**	**2,174**
Net book value	**1,305**			**1,671**

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

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

	2018	Addition	Disposal	31 December 2018
Cost				
Furniture and Fixtures	618	87	(39)	666
Vehicles	1,819	-	(140)	1,679
Lease Improvements	341	-	-	341
Other (*)	837	-	-	837
	3,615	**87**	**(179)**	**3,523**

	1 January 2018	Depreciation	Disposal	31 December 2018
Depreciation				
Furniture and Fixtures	471	64	(39)	496
Vehicles	1,508	13	(140)	1,381
Lease Improvements	341	-	-	341
	2,320	**77**	**(179)**	**2,218**
Net book value	**1,295**			**1,305**

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

(Currency - Thousands Turkish Liras unless otherwise indicated.)

6 INVESTMENT PROPERTY

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.

	1 January 2019	Addition	Disposal	31 December 2019
Cost				
Invetment Property	1,308	508	-	1,816
	1,308	**508**	**-**	**1,816**

	1 January 2019	Depreciation	Disposal	31 December 2019
Accumulated Depreciation				
Invetment Property	301	33	-	334
	301	**33**	**-**	**334**
Net book value	**1,007**			**1,482**

	1 January 2018	Addition	Disposal	31 December 2018
Cost				
Invetment Property	1,308	-	-	1,308
	1,308	**-**	**-**	**1,308**

	1 January 2018	Depreciation	Disposal	31 December 2018
Accumulated Depreciation				
Invetment Property	275	26	-	301
	275	**26**	**-**	**301**
Net book value	**1,033**			**1,007**

The fair value of the investment property of the Company is determined by an independent real estate appraisal company as of 31 December 2019 and 2018. 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.

The fair value of investment property of the Company as of 31 December 2019 is TL 5,158.(2018: TL 4,400).

(Currency - Thousands Turkish Liras unless otherwise indicated.)

7 INTANGIBLE ASSETS

Movement of intangible assets and related accumulated depreciation during the year ended 31 December 2019 is as follows:

	1 January 2019	Addition	Disposal	31 December 2019
Cost				
Computer softwares and rights	494	120	-	614
	494	**120**	**-**	**614**

Accumulated Amortization	1 January 2019	Amortization	Disposal	31 December 2019
Computer softwares and rights	231	101	-	332
	231	**101**	**-**	**332**
Net book value	**263**			**282**

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

	1 January 2018	Addition	Disposal	31 December 2018
Cost				
Computer softwares and rights	261	234	(1)	494
	261	**234**	**(1)**	**494**

Accumulated Amortization	1 January 2018	Amortization	Disposal	31 December 2018
Computer softwares and rights	207	25	(1)	231
	207	**25**	**(1)**	**231**
Net book value	**54**			**263**

As at 31 December 2019 and 2018, the Company does not have any internally generated intangible assets.

8 NON CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (NET)

As at 31 December 2019 and 2018, the Company has no assets classifed as held for sale.

As at 31 December 2019 and 2018, the Company has no discontinued operations.

(Currency - Thousands Turkish Liras unless otherwise indicated.)

9 OTHER ASSETS

The details of other assets as at 31 December 2019 and 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Receivables from Customers (*)	1,026	66	582	-
Prepaid expenses	19	-	595	-
Other	-	-	-	5
	1,045	**66**	**1,177**	**5**

(*) Receivables from customers consist of BITT receivables regarding factoring receivables.

10 FUNDS BORROWED

The details of funds borrowed as at 31 December 2019 and 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Funds Borrowed	26,794	89,706	56,554	67,629
	26,794	**89,706**	**56,554**	**67,629**

	31 December 2019			
			TL Equivalent	
	Original Balance	**Interest rate (%) (*)**	**Up to 1 year**	**Over 1 year**
TL	26,794	11.03 - 15.49	26,794	-
EUR	1,392	0.40 - 0,50	9,270	-
USD	13,393	2.41 - 5.90	80,427	-
GBP	1	-	9	-
Total			**116,500**	**-**

	31 December 2018			
			TL Equivalent	
	Original Balance	**Interest rate (%) (*)**	**Up to 1 year**	**Over 1 year**
TL	56,554	19.75-27.00	56,554	-
EUR	177	0.45	1,069	-
USD	12,650	2.70-6.35	66,553	-
GBP	1	-	7	-
Total			**124,183**	**-**

(*) These rates represent the interest rate range of loans received at fixed and floating interest rates that are open as of December 31, 2019 and December 31, 2018.

(Currency - Thousands Turkish Liras unless otherwise indicated.)

11 SECURITIES ISSUED

As at 31 December 2019, the Company has no securities issued (2018: None).

12 OTHER LIABILITIES

The details of other liabilities as at 31 December 2019 and 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Trade payables to vendors	494	6	393	8
	494	**6**	**393**	**8**

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Deferred commissions	69	344	116	465
	69	**344**	**116**	**465**

13 TAX ASSETS AND LIABILITIES

The details of tax assets and liabilies as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	FC	TL	FC
Income tax payables	353	-	325	-
BITT payables	252	-	402	-
Premium	38	-	99	-
Stamp tax payables	8	-	7	-
VAT payables	77	-	10	-
	728	**-**	**843**	**-**

(Currency - Thousands Turkish Liras unless otherwise indicated.)

13 TAX ASSETS AND LIABILITIES (continued)

Corporate Tax

The Company is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a tax return. Therefore, provisions for taxes, as reflected in the accompanying financial statements, have been calculated on a separate-entity basis.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective tax rate in 2019 is 22% (2018: 22%) for the Company.

In Turkey, advance tax returns are filed on a quarterly basis. Advance corporate income tax rate applied in 2019 is 22%. (2018: 22%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes on any dividends distributed, except for companies receiving dividends who are Turkish residents and Turkish branches of foreign companies. Income withholding tax applied in between 24 April 2003 – 22 July 2006 is 10% and commencing from 23 July 2006, this rate has been changed to 15% upon the Council of Minister's' Resolution No: 2006/10731. Undistributed dividends incorporated in share capital are not subject to income withholding tax.

Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, the investments without investment incentive certificates do not qualify for tax allowance.

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.

	1 January- 31 December 2019	**1 January- 31 December 2018**
	Amount	**Amount**
Reported profit before income taxes	27,512	37,653
Taxes on reported profit per statutory tax rate (%22)	(6,053)	(8,284)
Non-taxable deductions	128	(64)
Income tax expense	(5,925)	(8,348)

(Currency - Thousands Turkish Liras unless otherwise indicated.)

13 TAX ASSETS AND LIABILITIES (continued)

The detail of current tax assets and liabilities as at 31 December 2019 and 2018 are as follows:

	31 December 2019	**31 December 2018**
Corporate tax provision	5,114	7,636
Prepaid taxes	(6,965)	(6,034)
Tax (assets) / liabilities	**(1,851)**	**1,602**

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

	1 Ocak- 31 December 2019	**1 Ocak- 31 December 2018**
Current tax expense	5,113	7,636
Deferred tax expense	812	712
	5,925	**8,348**

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.

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

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 2019	**31 December 2018**	**31 December 2019**	**31 December 2018**
Unearned interest income	5,559	10,132	1,223	2,229
Employee severance payments	930	745	186	149
Employee permission payments	387	313	77	63
Prepaid commissions	413	581	91	128
Deferred tax assets	**7,289**	**11,771**	**1,577**	**2,569**
Tangible and intangible assets	595	555	119	111
Derivative financial instruments	(227)	227	(50)	50
Other	-	398	-	88
Deferred tax liabilities	**368**	**1,180**	**69**	**249**
Deferred tax assets (net)	**6,921**	**10,591**	**1,508**	**2,320**

(Currency - Thousands Turkish Liras unless otherwise indicated.)

13 TAX ASSETS AND LIABILITIES (continued)

The movement of deferred tax assets as of 31 December 2019 and 2018 are as follows:

	1 January- 31 December 2019	**1 January- 31 December 2018**
1 January	2,320	3,032
Deferred tax (expense) / income	(812)	(712)
31 December	**1,508**	**2,320**

14 PROVISIONS

The detail of provisions as at 31 December 2019 and 2018 are as follows:

	31 December 2019		**31 December 2018**	
	TL	**FC**	**TL**	**FC**
Provision for severance payment	930	-	745	-
Provision for short-term employee benefits	387	-	313	-
Other provisions	-	-	72	-
	1,317	**-**	**1,130**	**-**

Under Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed certain years of service and whose employment is terminated without due cause, who is called up for military service, dies or retires after completing 25 years of service and reaches the retirement age (58 for women and 60 for men). The amount payable consists of one month's salary limited to a maximum of TL 6,017.60 for each period of service at 31 December 2019 (2018: TL 5,001.76). Retirement pay liability is not subject to any kind of funding legally. The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2019, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 4.67% real discount rate (31 December 2018: 5.45%) calculated by using 7% annual inflation rate and 12% discount rate. Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 94.12% for employees with 0-16 years of service, and 0% for those with 16 or more years of service. Ceiling amount of TL 6,730.15 which is in effect since 1 January 2020 is used in the calculation of Companys' provision for retirement pay liability (1 January 2019: TL 6,017.60).

(Currency - Thousands Turkish Liras unless otherwise indicated.)

14 PROVISIONS (Continued)

Movements of the provision for employee benefits obligation during the years ended 31 December 2019 and 2018 are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Opening	**745**	**624**
Interest expense	39	28
Service cost	208	152
Payments	(62)	(59)
31 December	**930**	**745**

15 SHAREHOLDERS' EQUITY

15.1 Paid-in Capital

At 31 December 2019 the Company's nominal value of authorized and paid-in share capital amounts to TL 60,000 (2018: TL 60,000) comprising registered shares of par value of TL 1 each.

15.2 Capital Reserves

None.

15.3 Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss

None.

15.4 Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss

None.

15.5 Profit Reserves

As of 31 December 2019 the Company's profit reserves is TL 15,191 (31 December 2018: TL 13,725).

15.6 Prior Periods' Income or (Loss)

As of 31 December 2019 the Company's prior periods'income is TL 77,009 (31 December 2018: TL 49,170).

15.7 Dividends

Prior year's profits in the legal books can be distributed except for the provision related to the legal reserves mentioned below.

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.

As of 31 December 2019, it has been decided not to distribute the remaining balance after the legal provisions have been transferred from the Company's profit formed in 2018 (31 December 2018: It has been decided to distribute TL 4,800 of the Company's previous year profits as profit share).

(Currency - Thousands Turkish Liras unless otherwise indicated.)

16 OPERATING INCOME

The detail of operating income as of 31 December 2019 and 31 December 2018 are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Interest Income from Factoring Receivables	69,034	81,584
Commission and Fee Income from Factoring Receivables	5,037	4,710
	74,071	**86,294**

17 OPERATING EXPENSES

The detail of operating expenses as of 31 December 2019 and 31 December 2018 are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Personnel expenses	14,834	11,981
Rent expenses	1,831	1,330
Subscription fee	451	158
IT related expenses	406	349
Provisions for employee termination benefits expense	248	180
Audit and consultancy expenses	173	162
Vehicle expenses	226	189
Depreciation and amortization expenses	321	128
Taxes and duties	122	117
Representation expenses	115	106
Communication expenses	79	53
Litigation expenses	-	331
Other	1,207	803
	20,013	**15,887**

The detail of personnel expenses as of 31 December 2019 and 31 December 2018 are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Salary expenses	11,025	9,273
Bonus payment	1,899	905
Social security premium employer’s share	902	767
Insurance expenses	505	476
Transportation expenses	181	185
Meal expenses	175	151
Unemployment security employer’s share	64	62
Other	83	162
	14,834	**11,981**

(Currency - Thousands Turkish Liras unless otherwise indicated.)

18 OTHER OPERATING INCOME

The detail of other operating income as of 31 December 2019 and 31 December 2018 are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Foreign currency gain	6,302	14,717
Provision no longer required	4,789	27
Gain from derivative instruments	573	92
Other	1,371	1,327
	13,035	**16,163**

19 INTEREST EXPENSES

The detail of interest expenses as of 31 December 2019 and 31 December 2018 are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Interest Expenses on Loans	9,770	29,525
Interest Expense on Money Market Transactions	-	1,260
Fees and Commissions Expenses	912	1,009
	10,682	**31,794**

20 PROVISION EXPENSES

Special Provisions

	1 January- 31 December 2019	1 January- 31 December 2018
Provision expenses	(22,395)	(6,348)
	(22,395)	**(6,348)**

21 OTHER OPERATING EXPENSES

The detail of other operating expenses as of 31 December 2019 and 31 December 2018 are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
Foreign currency loss	5,704	10,195
Loss from derivative instruments	800	580
	6,504	**10,775**

(Currency - Thousands Turkish Liras unless otherwise indicated.)

22 RELATED PARTY BALANCES AND TRANSACTIONS

Related Party Balances

None.

Related Party Transactions

The detail of related party transactions as of 31 December 2019 and 31 December 2018 are as follows:

	1 January- 31 December 2019	1 January- 31 December 2018
M. Semra Tümay – rent expenses	1,831	1,330
	1,831	**1,330**

Top management fees and rights:

As of 31 December 2019 the company paid amount to TL 9,587 to Board of Directors and top management (31 December 2018: TL 7,399).

23 COMMITMENTS AND CONTINGENCIES

23.1 Letters of Guarantee Received

As at 31 December 2019 and 2018, the details of the Company's items held in custody is as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Customers' Cheques	68,363	23,504	42,739	27,078
Customers' Notes	32,629	63,750	36,369	46,887
Mortgages (*)	4,271,888	696,290	3,973,695	719,340
	4,372,880	**783,544**	**4,052,803**	**793,305**

(*) If mortgage is received from more than one person for a receivable, each amount received from mortgage is reflected on the collateral balance by taking into account each amount separately.

23.2 Letters of Guarantee Given

The details of letters of guarantee given as at 31 December 2019 and 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Letters of guarantee given to banks	17,500	-	17,500	-
Bails in favor of customers	7,500	-	7,500	-
Guarantee in favor of customers	8	-	15	-
	25,008	**-**	**25,015**	**-**

(Currency - Thousands Turkish Liras unless otherwise indicated.)

23 COMMITMENTS AND CONTINGENCIES (Continued)

23.3 Commitments

As at 31 December 2019 and 2018, The Company has no irrevocable commitments.

23.4 Derivative Financial Instruments

The details of derivative transactions are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Currency swap purchases	-	-	2,164	2,631
Currency swap sales	-	-	1,925	2,630
	-	**-**	**4,089**	**5,261**

23.5 Custody and Pledged assets

The details of custody and pledged assets as at 31 December 2019 and 2018 are as follows:

	31 December 2019		31 December 2018	
	TL	**FC**	**TL**	**FC**
Customers’ Cheques	227,138	83,640	231,186	41,425
Customers’ Notes	40,638	110,413	55,419	117,584
Mortgages	1,500	3,990	1,850	3,617
	269,276	**198,043**	**288,455**	**162,626**

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

24.1 Financial Risk Management

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.

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

24.1 Financial Risk Management (Continued)

24.1.1 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 balance sheet date, 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.

24.1.2 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.

24.1.3 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.

(i) 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. Foreign currency position of the Company is disclosed at note 24.2.3.

(ii) 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.

(Currency - Thousands Turkish Liras unless otherwise indicated.)

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

24.2 Risk Management

24.2.1 Interest rate risk

The effective weighted average interest rate applied to the financial instruments as at 31 December 2019 and 2018 are as follows:

	31 December 2019				31 December 2018			
	US Dollars (%)	EUR (%)	GBP (%)	TL (%)	US Dollars (%)	EUR (%)	GBP (%)	TL (%)
Assets								
Factoring receivables	6.45	3.06	6.53	19.61	5.90	6.14	6.22	34.10
Liabilities								
Borrowings	4.15	0.45	0.00	11.86	4.90	0.03	0.00	16.97

Interest rate sensitivity analysis

The sensitivity analysis of the Company against interest rate risk as at 31 December 2019 and 2018 are as follows:

Fixed rates	**31 December 2019**	**31 December 2018**
Factoring receivables	103,823	91,596
Borrowings	26,794	56,554
Floating rates		
Factoring receivables	186,570	176,200
Borrowings	89,706	67,629

If interest rates had been 100 basis points higher/lower and all other variables were held constant, the Company's profit for the year ended 31 December 2019 would increase/decrease by TL 294 monthly (31 December 2018 TL 324).

(Currency - Thousands Turkish Liras unless otherwise indicated.)

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

24.2 Risk Management

24.2.2 Credit Risk

The details of credit risk by class of financial instruments as of 31 December 2019 and 2018 are as follows:

31 December 2019	**Factoring receivables**		**Impaired Receivables**		**Other assets**			
	Related Party	**Third Party**	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Banks**	**Derivative Financial Assets**
Maximum credit risk exposed as of balance sheet date (A+B+C+D+E)	-	**290,392**	-	-	-	**1,111**	**11,264**	-
A. Net book value of financial assets that are neither past due nor impaired	-	290,392	-	-	-	1,111	11,264	-
B. Book value of financial assets whose conditions have been renegotiated, otherwise they will be deemed overdue or impaired	-	-	-	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired								
-net book value	-	-	-	-	-	-	-	-
- Secured portion of the net book value by guarantees,	-	-	-	-	-	-	-	-
D. Secured portion of the net book value by guarantees, etc.								
- Past due (gross amount)	-	-	-	25,142	-	-	-	-
- Impairment (-)	-	-	-	(25,142)	-	-	-	-
-Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
-Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-	-	-
E. Off-balance sheet items include credit risk	-	-	-	-	-	-	-	-

(Currency - Thousands Turkish Liras unless otherwise indicated.)

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

24.2 Risk Management (Continued)

24.2.2 Credit Risk (Continued)

31 December 2018	**Factoring receivables**		**Impaired Receivables**		**Other assets**			
	Related Party	**Third Party**	**Related Party**	**Third Party**	**Related Party**	**Third Party**	**Banks**	**Derivative Financial Assets**
Maximum credit risk exposed as of balance sheet date (A+B+C+D+E)	**-**	**267,796**	**-**	**-**	**-**	**1,182**	**15,101**	**800**
A. Net book value of financial assets that are neither past due nor impaired	-	267,796	-	-	-	1,182	15,101	800
B. Book value of financial assets whose conditions have been renegotiated, otherwise they will be deemed overdue or impaired	-	-	-	-	-	-	-	-
C. Net book value of financial assets that are past due but not impaired								
-net book value	-	-	-	-	-	-	-	-
- Secured portion of the net book value by guarantees,	-	-	-	-	-	-	-	-
D. Secured portion of the net book value by guarantees, etc.								
- Past due (gross amount)	-	-	-	9,062	-	-	-	-
- Impairment (-)	-	-	-	(9,062)	-	-	-	-
-Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-	-	-
- Not past due (gross amount)	-	-	-	-	-	-	-	-
- Impairment (-)	-	-	-	-	-	-	-	-
-Secured portion of the net book value by guarantees, etc.	-	-	-	-	-	-	-	-
E. Off-balance sheet items include credit risk	-	-	-	-	-	-	-	-

(Currency - Thousands Turkish Liras unless otherwise indicated.)

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

24.2 Risk Management (Continued)

24.2.3 Foreign Currency Risk

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar, the Euro and GBP. The breakdown of foreign currency position of the Company as at 31 December 2019 and 31 December 2018 are as follows:

	31 December 2019 (TL Equivalent)	**31 December 2018 (TL Equivalent)**
A. Foreign currency assets	109,678	77,144
B. Foreign currency liabilities	(105,280)	(76,075)
C. Derivative financial instruments	-	227
Net foreign currency position (A+B+C)	**4,398**	**1,296**

(Currency - Thousands Turkish Liras unless otherwise indicated.)

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

24.2 Risk Management (Continued)

24.2.3 Foreign Currency Risk (Continued)

The details of breakdown of foreign currency position of the Company as at 31 December 2019 and 2018 are as follows:

31 December 2019	**US Dollar**	**EUR**	**GBP**	**Total**
Assets				
Banks	7,496	3,566	76	11,138
Factoring receivables	83,187	13,154	2,133	98,474
Other assets	66	-	-	66
Total assets	**90,749**	**16,720**	**2,209**	**109,678**
Liabilities				
Borrowings	80,428	9,270	8	89,706
Factoring payables	9,346	3,845	2,033	15,224
Other payables	232	117	1	350
Total Liabilities	**90,006**	**13,232**	**2,042**	**105,280**
Net foreign currency position	**743**	**3,488**	**167**	**4,398**
Derivative financial instruments	-	-		-
Net position	**743**	**3,488**	**167**	**4,398**

(Currency - Thousands Turkish Liras unless otherwise indicated.)

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

24.2 Risk Management (Continued)

24.2.3 Foreign Currency Risk (Continued)

31 December 2018	**US Dollar**	**EUR**	**GBP**	**Total**
Assets				
Banks	4,626	14	10	4,650
Factoring receivables	66,925	2,493	3,071	72,489
Other assets	5	-	-	5
Total assets	**71,556**	**2,507**	**3,081**	**77,144**
Liabilities				
Borrowings	67,620	2	7	67,629
Factoring payables	2,495	2,455	3,023	7,973
Other payables	465	5	3	473
Total Liabilities	**70,580**	**2,462**	**3,033**	**76,075**
Net foreign currency position	**976**	**45**	**48**	**1,069**
Derivative financial instruments	227	-		227
Net position	**1,203**	**45**	**48**	**1,296**

(Currency - Thousands Turkish Liras unless otherwise indicated.)

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

24.2 Risk Management (Continued)

24.2.3 Foreign Currency Risk (Continued)

Foreign Currency Sensitivity Analysis

Depreciation of TL by 10% against the other currencies as at 31 December 2019 and 2018 would have decreased profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, as at 31 December 2019 and 2018 remain constant.

TL	31 December 2019 Profit/(Loss)	31 December 2018 Profit/(Loss)
US Dollar	74	120
EUR	349	4
GBP	17	5
Total	**440**	**129**

24.2.4 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 2019

	Carrying Amount	Contractual cash flows	Less than 3 months	3-12 months	1-5 years	More than 5 years
Non-derivative financial liabilities	**133,729**	**134,778**	**82,809**	**51,969**	**-**	**-**
Borrowings	116,500	117,549	65,580	51,969	-	-
Factoring payables	16,316	16,316	16,316	-	-	-
Other liabilities	913	913	913	-	-	-

	Carrying Amount	Contractual cash flows	Less than 3 months	3-12 months	1-5 years	More than 5 years
Derivative financial liabilities	-	-	-	-	-	-
Derivative cash inflows	-	-	-	-	-	-
Derivative cash outflows	-	-	-	-	-	-

(Currency - Thousands Turkish Liras unless otherwise indicated.)

24 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

24.2 Risk Management (Continued)

24.2.4 Liquidity Risk (Continued)

31 December 2018

	Carrying Amount	Contractual cash flows	Less than 3 months	3-12 months	1-5 years	More than 5 years
Non-derivative financial liabilities	**132,845**	**138,286**	**84,483**	**53,803**	**-**	**-**
Borrowings	124,183	129,043	75,240	53,803	-	-
Factoring payables	8,261	8,261	8,261	-	-	-
Other liabilities	982	982	982	-	-	-

	Carrying Amount	Contractual cash flows	Less than 3 months	3-12 months	1-5 years	More than 5 years
Derivative financial liabilities	**227**	**(467)**	**(467)**	**-**	**-**	**-**
Derivative cash inflows	800	2,164	2,164	-	-	-
Derivative cash outflows	(573)	(2,630)	(2,630)	-	-	-

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 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.

Fair Value of Financial Instruments

The Company has calculated the fair values of financial instruments using available market information and appropriate valuation methods. However, because it is necessary to use conviction to find the fair value, the fair value measurements may not reflect the values that may occur in the current market conditions. Due to the fact that bank loans are repriced by Libor and similar variable interest rates close to the balance sheet date, the Company management has discounted with effective interest, including receivables from banks and banks, factoring receivables, other financial assets and bank loans in short term TL. Considering that the fair values of financial assets and liabilities shown at cost value are short-term and potential losses may be insignificant, it is accepted to be close to their book values.

.

(Currency - Thousands Turkish Liras unless otherwise indicated.)

25 FINANCIAL INSTRUMENTS

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined and grouped as follows:

- Level 1: the fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices;

- Level 2: the fair value of other financial assets and financial liabilities (excluding derivative instruments) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions; and

- Level 3: the fair value of the financial assets and financial liabilities where there is no observable market data.

31 December 2019	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial assets	-	-	-	-
Derivative financial liabilities	-	-	-	-

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

26 EVENTS AFTER REPORTING PERIOD

None.