Ekspo Faktoring Anonim Şirketi

Financial statements as of December 31, 2020 together with independent auditor's report

(Convenience translation into English of financial statements originally isued in Turkish – See Note 1)

Ekspo Faktoring Anonim Şirketi

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Güney Bağımsız Denetim ve SMMM A. Ş.
Maslak Mah. Eski Büyükdere Cad.
Orjin Maslak İş Merkezi No: 27 K: 2-3-4
34485 Sarıyer/İstanbul TÜRKİYE

Tel: +90 212 315 3000
Fax: +90 212 230 8291
ey.com
Ticaret Sicil No : 479920
Mersis No: 0-4350-3032-6000017

(Convenience translation into English of financial statements originally issued in Turkish ~ See Note 1)

INDEPENDENT AUDITOR'S REPORT

To the General Board of Ekspo Faktoring Anonim Şirketi

A) Audit of the Financial Statements

1) Opinion

We have audited statement of financial position of Ekspo Faktoring A.Ş. ("the Company") as at December 31, 2020 and the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flow for the year then ended and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2020, and its financial performance and its cash flows for the year then ended in accordance with the "Communique on Financial Leasing, Factoring and Uniform chart of Accounts which shall be applied by Finance Companies published in Official Gazette dated December 24, 2013 and numbered 28861 and Regulation, Communique and Circular on Accounting Policies of Financial Leasing, Factoring and Finance Companies and their Financial Statements and announcements published by the Banking Regulation and Supervision Authority ("BRSA") together referred as "BRSA Accounting and Financial Reporting Legislation" and Turkish Financial Reporting Standards ("TFRS") for those matters not regulated BRSA Accounting and Financial Reporting Legislation.

2) Basis for Opinion

We conducted our audit in accordance with Independent Auditing Standards ("InAS") which are a part of Turkish Auditing Standards issued 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 within the meaning of Code of Ethics for Independent Auditors (Code of Ethics) published by POA and have fulfilled our other responsibilities in accordance with 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. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of factoring receivables	
Determining the adequacy of impairment allowance on factoring receivables is a key area of judgment for the management due to the significance of the balances, and complexity and subjectivity over estimating timing and amount of impairment . The risk is that factoring receivables are impaired and no reasonable impairment losses/provisions are provided in accordance with the BRSA Accounting and Reporting Legislation. The impairment of factoring receivables are further explained in Note 5 and Note 6 to the financial statements.	Our audit procedures included assessing applied prosedures by the Company over the booking, monitoring and settlement, and identification the impaired factoring receivables and the required provisions against them. In addition, we selected samples of factoring receivables based on our judgement and considered whether there was objective evidence that impairment exists on these factoring receivables and advances. We also assessed whether impairment losses for factoring receivables and advances were reasonably determined in accordance with the requirements of BRSA and actions taken against Covid-19 impacts have been evaluated in line with sector practices.

4) Other Matter

The financial statements of the Company as at 31 December 2019 was audited by another audit firm, which expressed an unqualified opinion in their report issued on 16 March 2020.

5) Responsibilities of Management and Directors 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 Legislation and for such internal control as management determines is necessary to enable the preparation of the financial statement that is 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.

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

In an independent audit, the responsibilities of us as independent auditors are:

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 InASs 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 InASs, we exercise professional judgment and maintain professional scepticism 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 the directors 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.

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B) Other liabilities arising from legislation

1) In accordance with Article 402 paragraph 4 of the Turkish Commercial Code ("TCC"); no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period January 1 – December 31, 2020 are not in compliance with the code and provisions of the Company's articles of association in relation to financial reporting.

2) In accordance with Article 402 paragraph 4 of the TCC; the Board of Directors submitted to us the necessary explanations and provided required documents within the context of audit.

C) Additional paragraph for convenience translation into English of financial statements as of December 31, 2020 and independent auditors' report originally issued in Turkish.

As explained in detail in Note 1 to the financial statements, the accompanying financial statements are presented in accordance with regulations, communiqués, interpretations and circulars published by the BRSA on accounting and financial reporting principles. The effects of differences between the accounting principles and standards set out by regulations, communiqués, interpretations and circulars published by the BRSA, and accounting principles generally accepted in the countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

The partner in charge of the audit resulting in this independent auditor's report is Fatih Polat.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Fatih Polat, SMMM
Partner

February 4, 2021
Istanbul, Turkey

Ekspo Faktoring A.Ş.

Financial position (balance sheet) as at 31 December 2020

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

ASSETS			Audited current period 31 December 2020			Audited previous period 31 December 2019		
		Notes	TL	FC	Total	TL	FC	Total
I.	CASH, CASH EQUIVALENTS and THE CENTRAL BANK	3	171	19.359	19.530	126	11.138	11.264
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (NET)		-	-	-	-	-	-
III.	DERİVATİVE FINANCIAL ASSETS	3	-	-	-	-	-	-
IV.	FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	4	-	-	-	-	-	-
V.	FINANCIAL ASSETS MEASURED AT AMORTIZED COST (NET)		217.738	81.527	299.265	194.843	95.549	290.392
5.1	Factoring Receivables	5	217.738	81.527	299.265	194.843	95.549	290.392
5.1.1	Discounted Factoring Receivables (Net)		145.740	58.994	204.734	137.459	43.993	181.452
5.1.2	Other Factoring Receivables		71.998	22.533	94.531	57.384	51.556	108.940
5.2	Financing Loans		-	-	-	-	-	-
5.2.1	Consumer Loans		-	-	-	-	-	-
5.2.2	Credit Cards		-	-	-	-	-	-
5.2.3	Installment Commercial Loans		-	-	-	-	-	-
5.3	Lease Receivables (Net)		-	-	-	-	-	-
5.3.1	Finance Lease Receivables		-	-	-	-	-	-
5.3.2	Operational Lease Receivables		-	-	-	-	-	-
5.3.3	Unearned Income (-)		-	-	-	-	-	-
5.4	Other Financial Assets Measured at Amortized Cost		-	-	-	-	-	-
5.5	Non-Performing Receivables	6	21.815	-	21.815	22.842	2.300	25.142
5.6	Expected Loss Provisions/Specific Provisions (-)	6	(21.815)	-	(21.815)	(22.842)	(2.300)	(25.142)
VI.	EQUITY INVESTMENTS		-	-	-	-	-	-
6.1	Associates (Net)		-	-	-	-	-	-
6.2	Subsidiaries (Net)		-	-	-	-	-	-
6.3	Joint Ventures (Net)		-	-	-	-	-	-
VII.	TANGIBLE ASSETS (Net)	7	1.659	-	1.659	1.671	-	1.671
VIII.	INTANGIBLE ASSETS (Net)	8	272	-	272	282	-	282
IX.	INVESTMENT PROPERTIES (Net)	9	1.999	-	1.999	1.482	-	1.482
X.	CURRENT PERIOD TAX ASSETS		-	-	-	1.851	-	1.851
XI.	DEFERRED TAX ASSETS	10	1.527	-	1.527	1.508	-	1.508
XII.	OTHER ASSETS	12	1.062	7	1.069	1.045	66	1.111
	SUBTOTAL		224.428	100.893	325.321	202.808	106.753	309.561
XIII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)	11	-	-	-	-	-	-
13.1	Assets Held For Sale		-	-	-	-	-	-
13.2	Assets of Discontinued Operations		-	-	-	-	-	-
	Total Assets		224.428	100.893	325.321	202.808	106.753	309.561

Note: The financial statements are presented in accordance with the new financial statement format in the "Regulation on the amendment to the regulation on the accounting practices and financial statements of financial leasing, factoring and financing companies" published in the Official Gazette dated 1 February 2019 and numbered 30673

Ekspo Faktoring A.Ş.

Financial position (balance sheet) as at 31 December 2020, 2019

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

	LIABILITIES	Notes	Audited current period 31 December 2020 TL	FC	Total	Audited previous period 31 December 2019 TL	FC	Total
I.	**FUNDS BORROWED**	***13***	**54.708**	**59.223**	**113.931**	**26.794**	**89.706**	**116.500**
II.	**FACTORING LIABILITIES**	***15***	**1.419**	**12.775**	**14.194**	**1.092**	**15.224**	**16.316**
III.	**LEASE LIABILITIES (NET)**	***16***	-	-	-	-	-	-
IV.	**DEBT SECURITIES ISSUED (Net)**	***14***	-	-	-	-	-	-
V.	**FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS LOSS (NET)**		-	-	-	-	-	-
VI.	**DERIVATIVE FINANCIAL LIABILITIES**		-	-	-	-	-	-
VII.	**PROVISIONS**	***18***	**1.158**	-	**1.158**	**1.317**	-	**1.317**
7.1	Restructuring Reserves		-	-	-	-	-	-
7.2	Reserves for Employee Benefits		1.158	-	1.158	1.317	-	1.317
7.3	General Provisions		-	-	-	-	-	-
7.4	Other Provisions		-	-	-	-	-	-
VIII.	**CURRENT PERIOD TAX LIABILITY**	***31***	**1.192**	-	**1.192**	**728**	-	**728**
IX.	**DEFERRED TAX LIABILITY**		-	-	-	-	-	-
X.	**SUBORDINATED DEBT INSTRUMENTS**		-	-	-	-	-	-
XI.	**OTHER LIABILITIES**	***17***	**544**	**1.094**	**1.638**	**563**	**350**	**913**
	SUBTOTAL		**59.021**	**73.092**	**132.113**	**30.494**	**105.280**	**135.774**
XII.	**PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS (Net)**		-	-	-	-	-	-
12.1	Held for Sale		-	-	-	-	-	-
12.2	Discontinued Operations		-	-	-	-	-	-
XIII.	**SHAREHOLDERS' EQUITY**		**193.208**	-	**193.208**	**173.787**	-	**173.787**
13.1	Paid in Capital	*20*	60.000	-	60.000	60.000		60.000
13.2	Capital Reserves		-	-	-	-	-	-
13.2.1	Share Premiums		-	-	-	-	-	-
13.2.2	Share Cancellation Profits		-	-	-	-	-	-
13.2.3	Other Capital Reserves		-	-	-	-	-	-
13.3	Accumulated Other Comprehensive Income that will not be Reclassified to Profit or Loss		-	-	-	-	-	-
13.4	Reclassified subsequently to Profit or Loss		-	-	-	-	-	-
13.5	Profit Reserves	*21*	**16.271**	-	**16.271**	**15.191**	-	**15.191**
13.5.1	Legal Reserves		16.271	-	16.271	15.191	-	15.191
13.5.2	Statutory Reserves		-	-	-	-	-	-
13.5.3	Extraordinary Reserves		-	-	-	-	-	-
13.5.4	Other Profit Reserves		-	-	-	-	-	-
13.6	Profit or Loss		**116.937**	-	**116.937**	**98.596**	-	**98.596**
13.6.1	Prior Periods Profit/Loss	*22*	97.516	-	97.516	77.009	-	77.009
13.6.2	Current Period Profit/Loss		19.421	-	19.421	21.587	-	21.587
	TOTAL LIABILITIES AND EQUITY		**252.229**	**73.092**	**325.321**	**204.281**	**105.280**	**309.561**

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Ekspo Faktoring A.Ş.

Statement of off-balance sheet items as of 31 December 2020

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

	OFF-BALANCE SHEET ITEMS		**Audited current period 31 December 2020**			**Audited previous period 31 December 2019**		
		Notes	**TL**	**FC**	**Total**	**TL**	**FC**	**Total**
I.	**IRREVOCABLE FACTORING TRANSACTIONS**		**15.364**	**25.572**	**40.936**	**28.760**	**24.453**	**53.213**
II.	**REVOCABLE FACTORING TRANSACTIONS**	5	**160.730**	**2.901**	**163.631**	**322.853**	**19.240**	**342.093**
III.	**COLLATERALS RECEIVED**	5-23	**4.666.337**	**985.503**	**5.651.840**	**4.372.880**	**783.544**	**5.156.424**
IV.	**COLLATERALS GIVEN**	23	**34.608**	**-**	**34.608**	**25.008**	**-**	**25.008**
V.	**COMMITMENTS**		**-**	**-**	**-**	**-**	**-**	**-**
5.1	Irrevocable Commitments		-	-	-	-	-	-
5.2	Revocable Commitments		-	-	-	-	-	-
5.2.1	Lease Commitments		-	-	-	-	-	-
5.2.1.1	Finance Lease Commitments		-	-	-	-	-	-
5.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
5.2.2	Other Revocable Commitments		-	-	-	-	-	-
VI.	**DERIVATIVE FINANCIAL INSTRUMENTS**		**-**	**-**	**-**	**-**	**-**	**-**
6.1	Derivative Financial Instruments for Risk		-	-	-	-	-	-
6.1.1	Fair Value Hedges		-	-	-	-	-	-
6.1.2	Cash Flow Hedges		-	-	-	-	-	-
6.1.3	Net Foreign Investment Hedges		-	-	-	-	-	-
6.2	Derivative Financial Instruments Held For Trading		-	-	-	-	-	-
6.2.1	Forward Foreign Currency Purchases/Sales		-	-	-	-	-	-
6.2.2	Swap Purchases/Sales		-	-	-	-	-	-
6.2.3	Put/call options		-	-	-	-	-	-
6.2.4	Futures purchases/sales		-	-	-	-	-	-
6.2.5	Others		-	-	-	-	-	-
VII.	**ITEMS HELD IN CUSTODY**		**259.404**	**243.182**	**502.586**	**269.276**	**198.043**	**467.319**
								-
	TOTAL OFF-BALANCE SHEET ITEMS		**5.136.443**	**1.257.158**	**6.393.601**	**5.018.777**	**1.025.280**	**6.044.057**

Ekspo Faktoring A.Ş.

Statement of profit or loss and other comprehensive income for the period ended 31 December 2020

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

	STATEMENT OF PROFIT OR LOSS	NOTES	Current Period Audited 1 January- 31 December 2020	Previous Period Audited 1 January- 31 December 2019
I.	**OPERATING INCOME**	*24*	**44.216**	**74.071**
	FACTORING INCOME		**44.216**	**74.071**
1.1	Interest Received from Factoring Receivables		41.350	69.034
1.1.1	Discounted		23.075	46.126
1.1.2	Other		18.275	22.908
1.2	Fees and Commissions Received from Factoring Receivables		2.866	5.037
1.2.1	Discounted		1.645	2.223
1.2.2	Other		1.221	2.814
	INCOME FROM FINANCING LOANS		-	-
1.3	Interest Received from Finance Loans		-	-
1.4	Fees and Commissions Received from Finance Loans		-	-
	LEASE INCOME		-	-
1.5	Financial Lease Income		-	-
1.6	Operating Lease Income		-	-
1.7	Fees and Commissions Received from Lease Income		-	-
II.	**FINANCIAL EXPENSES (-)**	*27*	**(6.991)**	**(10.682)**
2.1	Interest Expenses on Funds Borrowed		(6.367)	(9.770)
2.2	Interest Expenses on Factoring Payables		-	-
2.3	Financial Lease Expenses		-	-
2.4	Interest Expenses on Securities Issues		-	-
2.5	Other Interest Expenses		-	-
2.6	Fees and Commissions Given		(624)	(912)
III.	**GROSS PROFIT/LOSS (I+II)**		**37.225**	**63.389**
IV.	**OPERATING EXPENSE (-)**	*25*	**(21.525)**	**(20.013)**
4.1	Personnel Expenses		(16.145)	(14.834)
4.2	Provision Expense for Employment Termination Benefits		(348)	(248)
4.3	Research and Development Expenses		-	-
4.4	General Administration Expenses		(4.883)	(4.809)
4.5	Other		(149)	(122)
V.	**OPERATING GROSS PROFIT/LOSS (III+IV)**		**15.700**	**43.376**
VI.	**OTHER OPERATING INCOME**	*26*	**17.819**	**13.035**
6.1	Interest Received from Banks		619	1.088
6.2	Trading Gains on Securities		-	-
6.3	Dividend Income		-	-
6.4	Interest Received from Marketable Received Portfolio		-	-
6.5	Derivative Financial Transactions Profit		-	573
6.6	Foreign Exchange Gains		13.600	6.302
6.7	Other		3.600	5.072
VII.	**PROVISIONS FOR DOUBTFUL RECEIVABLES (-)**	*28*	**(56)**	**(22.395)**
7.1	Specific Provisions		(56)	(22.395)
7.2	Expected Loss Provisions		-	-
7.3	General Provisions		-	-
7.4	Other		-	-
VIII.	**OTHER OPERATING EXPENSES (-)**	*29*	**(8.702)**	**(6.504)**
8.1	Impairment Losses on Securities Portfolio		-	-
8.2	Impairment of Fixed Assets		-	-
8.3	Loss of Capital Market Transactions		-	-
8.4	Loss from Derivative Financial Transaction		-	(800)
8.5	Foreign Exchange Loss		(8.702)	(5.704)
8.6	Other		-	-
IX.	**NET OPERATING INCOME/EXPENSE (V+…+VIII)**		**24.761**	**27.512**
X.	**INCOME RESULTED FROM MERGER**		-	-
XI.	**SHARES FROM PROFITS AND LOSSES OF INVESTMENT VALUED BY EQUITY METHOD**		-	-
XII	**NET MONETARY POSITION GAIN/LOSS**		-	-
XIII.	**PROFIT/LOSS BEFORE TAX FROM CONTINUING OPERATIONS (IX+X+XI)**		**24.761**	**27.512**
XIV.	**TAXATION ON INCOME FROM CONTINUING OPERATIONS (±)**	*30*	**(5.340)**	**(5.925)**
13.1	Current Tax Provision		(5.359)	(5.113)
13.2	Deferred Tax Expense Effect (+)		-	(812)
13.3	Deferred Tax Income Effect (-)		19	-
XV.	**NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XIII±XIV)**		**19.421**	**21.587**
XVI.	**INCOME FROM DISCONTINUING OPERATİONS**		-	-
15.1	Income of Non-Current Assets Held for Sale		-	-
15.2	Sale Profits from Associates, Subsidiaries and Joint Ventures		-	-
15.3	Income from Other Discontinuing Operations		-	-
XVII.	**EXPENSES FROM DISCONTINUING OPERATİONS (-)**		-	-
16.1	Expenses of Non-Current Assets Held for Sale		-	-
16.2	Expenses Profits from Associates, Subsidiaries and Joint Ventures		-	-
16.3	Expense from Other Discontinuing Operations		-	-
XVIII.	**PROFIT/LOSS BEFORE TAX FROM DISCONTINUING OPERATIONS (XVI-XVII)**		-	-
XIX.	**TAXATION ON INCOME FROM DISCONTINUING OPERATIONS (±)**		-	-
18.1	Current Tax Provision		-	-
18.2	Deferred Tax Expense Effect (+)		-	-
18.3	Deferred Tax Income Effect (-)		-	-
XX.	**NET PROFIT/LOSS FROM DISCOUNTED OPERATIONS (XVIII±XIX)**		-	-
XXI.	**NET PROFIT/LOSSES (XV+XX)**		**19.421**	**21.587**

Note: The financial statements are presented in accordance with the new financial statement format in the "Regulation on the amendment to the regulation on the accounting practices and financial statements of financial leasing, factoring and financing companies" published in the Official Gazette dated 1 February 2019 and numbered 30673

Statement of profit or loss and other comprehensive income for the period ended 31 December 2020

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

	INCOME OR LOSS AND OTHER COMPREHENSIVE INCOME STATEMENT ITEMS	NOTES	Audited Current Period January 1- December 31, 2020	Audited Prior Period January 1- December 31, 2019
I.	**PERIOD INCOME/LOSS**		**19.421**	**21.587**
II.	**OTHER COMPREHENSIVE INCOME**		**-**	**-**
2.1	**Other compherensive income or expense that will not be reclassified**		**-**	**-**
2.1.1	Gains/(losses) on revaluation of tangible assets		-	-
2.1.2	Gains/(losses) on revaluation of intangible assets		-	-
2.1.3	Gains/(losses) on remeasurement of defined benefit pension plans		-	-
2.1.4	Other items that will not be reclassified to profit or loss		-	-
2.1.5	Taxation on comprehensive income that will not be reclassified to profit or loss		-	-
2.2	**Other compherensive income or expense that will be reclassified**		-	-
2.2.1	Translation differences for transactions in foreign currencies		**-**	**-**
2.2.2	Valuation/ or and classifaction revenues/ expensense of financial assets at fair value through other comprehensive income		-	-
2.2.3	Gains/(losses) from cash flow hedges		-	-
2.2.4	Gains/(losses) from net investment hedges		-	-
2.2.5	Other items that will be reclassified to profit or loss		-	-
2.2.6	Taxation on comprehensive income that will be reclassified to profit or loss		-	-
III.	**TOTAL COMPREHENSIVE INCOME (I+II)**		**19.421**	**21.587**

Note: The financial statements are presented in accordance with the new financial statement format in the "Regulation on the amendment to the regulation on the accounting practices and financial statements of financial leasing, factoring and financing companies" published in the Official Gazette dated 1 February 2019 and numbered 30673

Statement of changes in shareholders' equity as of 31 December 2020

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

	CHANGES IN EQUITY						Other compherensive income or expense that will not be reclassified subsequently to profit or loss			Other compherensive income or expense that will be reclassified subsequently to profit or loss						
		NOTES	Paid-in Capital	Share Premium	Share Cancellation	Other Capital Reserves	1	2	3	4	5	6	Profit Reserves	Prior Period Profit/ Losses	Net Profit/Losses	Total Equity
	PRIOR PERIOD (31/12/2019)															
I.	**Balances at the beginning of the period**		**60.000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13.725**	**49.170**	**29.305**	**152.200**
II.	**Corrections made as per TAS 8**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1	Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted balances (I+II)**		**60.000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**13.725**	**49.170**	**29.305**	**152.200**
IV.	**Total Comprehensive Income**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**21.587**	**21.587**
V.	**Capital increase**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VI.	**Capital increase through internal resources**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VII.	**Inflation adjustments to paid-in capital**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**Convertible bonds**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX.	**Subordinated loans**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X.	**Increase/decrease due to other changes**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
XI.	**Profit distribution**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.466**	**27.839**	**(29.305)**	**-**
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to reserves		-	-	-	-	-	-	-	-	-	-	1.466	(1.466)	-	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	29.305	(29.305)	-
	Balances at the end of the period (III+IV+…...+XI+XII)		**60.000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15.191**	**77.009**	**21.587**	**173.787**
	CURRENT PERIOD (31/12/2020)															
I.	**Balances at the beginning of the period**		**60.000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15.191**	**77.009**	**21.587**	**173.787**
II.	**Corrections made as per TAS 8**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2.1	Effect of corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effect of changes in accounting policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**Adjusted balances (I+II)**		**60.000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**15.191**	**77.009**	**21.587**	**173.787**
IV.	**Total Comprehensive Income**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**19.421**	**19.421**
V.	**Capital increase**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VI.	**Capital increase through internal resources**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VII.	**Inflation adjustments to paid-in capital**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
VIII.	**Convertible bonds**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
IX.	**Subordinated loans**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
X.	**Increase/decrease due to other changes**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
XI1.	**Profit distribution**		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1.080**	**20.507**	**(21.587)**	**-**
11.1	Dividends		-	-	-	-	-	-	-	-	-	-	-	-	-	-
11.2	Transfers to reserves		-	-	-	-	-	-	-	-	-	-	1.080	(1.080)	-	-
11.3	Other		-	-	-	-	-	-	-	-	-	-	-	21.587	(21.587)	-
	Balances at the end of the period (III+IV+…...+XI+XII)		**60.000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**16.271**	**97.516**	**19.421**	**193.208**

Note: The financial statements are presented in accordance with the new financial statement format in the "Regulation on the amendment to the regulation on the accounting practices and financial statements of financial leasing, factoring and financing companies" published in the Official Gazette dated 1 February 2019 and numbered 30673

(1) Accumulated revaluation surplus / impairment of fixed assets,
(2) Accumulated repeat measurement gains / losses of defined benefit plans,
(3) Other (Accumulated amounts of investments accounted for by the equity method that are not reclassified from income to profit or loss to others, and other items that are not reclassified to impair others or others)
(4) Foreign currency translation differences,
(5) Accumulated revaluation and / or classification gains / losses on available for sale financial assets,
(6) Other (Cash flow hedging gains / investments accounted for by the equity method cumulative gains / (losses) to be classified as profit / loss to others and accumulated amounts of other comprehensive income to be reclassified to others or others).

Statement of cash flows as of 31 December 2020

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

	CASH FLOW STATEMENT	*Notes*	Audited Curret Period January 1- December 31, 2020	Audited Prior Period January 1- December 31, 2019
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
1.1	**Operating Profit before Changes in Operating Assets and Liabilities**		**12.146**	**26.281**
1.1.1	Interests Received/ Leasing Income		42.139	63.068
1.1.2	Interes Paid / Leasing Expenses		(7.077)	(12.067)
1.1.3	Leasing Expenses		(2.183)	(1.831)
1.1.4	Dividend Received		-	-
1.1.5	Fees and Commissions Received		3.594	4.869
1.1.6	Other Income		-	-
1.1.7	Collections from Previously Written-off Doubtful Receivables	*6*	(2.981)	4.789
1.1.8	Payments to Personnel and Service Suppliers		(16.145)	(14.834)
1.1.9	Taxes Paid	*30*	(4.903)	(9.331)
1.1.10	Other		(298)	(8.382)
1.2	**Changes in Operating Assets and Liabilities**		**(10.621)**	**(32.110)**
1.2.1	Net (Increase)/Decrease in Factoring Receivables		(8.766)	(35.471)
1.2.2	Net (Increase)/Decrease in Finance Loans		-	-
1.2.3	Net (Increase)/Decrease in Lease Receivables		-	-
1.2.4	Net (Increase)/Decrease in Other Assets		1.925	(867)
1.2.5	Net Increase/(Decrease) in Factoring Payables		(2.122)	8.055
1.2.6	Net Increase/(Decrease) in Lease Payables		-	-
1.2.7	Net Increase/(Decrease) in Funds Borrowed		(1.859)	(5.386)
1.2.8	Net Increase/(Decrease) in Due Payables		-	-
1.2.9	Net Increase/(Decrease) in Other Liabilities		201	1.559
I.	**Net Cash Used in Operating Activities**		**1.525**	**(5.829)**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
2.1	Acquisition of Investments, Associates and Subsidiaries		-	-
2.2	Disposal of Investments, Associates and Subsidiaries		-	-
2.3	Purchases of Property and Equipment	*7,8*	(623)	(1.077)
2.4	Disposals of Property and Equipment	*7,8*	-	16
2.5	Purchase of Investments Designated at Fair Value Through Other Comprehensive Income		-	-
2.6	Sale of Investments Designated at Fair Value Through Other Comprehensive Income		-	-
2.7	Purchase of Investment Securities Designated at Fair Value Through Profit/Loss		-	-
2.8	Sale of Investment Securities Designated at Fair Value Through Profit/Loss		-	-
2.9	Other		(22)	(120)
II.	**Net Cash (Used in)/Provided from Investing Activities**		**(645)**	**(1.181)**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
3.1	Cash Obtained from Funds Borrowed and Securities Issued		-	-
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3	Issued Capital Instruments		-	-
3.4	Dividend Paid		-	-
3.5	Payments for Finance Leases		-	-
3.6	Other		-	-
III.	**Net Cash (Used in)/Provided from Financing Activities**		**-**	**-**
IV.	**Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents**		**7.361**	**3.173**
V.	**Net Increase/(Decrease) in Cash and Cash Equivalents**		**8.241**	**(3.837)**
VI.	**Cash and Cash Equivalents at Beginning of the Period**	*3*	**11.264**	**15.101**
VII.	**Cash and Cash Equivalents at End of the Period**		**19.505**	**11.264**

Note: The financial statements are presented in accordance with the new financial statement format in the "Regulation on the amendment to the regulation on the accounting practices and financial statements of financial leasing, factoring and financing companies" published in the Official Gazette dated 1 February 2019 and numbered 30673

Profit distribution table as of 31 December 2020

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

		Audited Current Period January 1- December 31, 2020	Audited Prior Period January 1- December 31, 2019
I.	**DISTRIBUTION OF CURRENT PERIOD PROFIT (*)**		
1.1	CURRENT PERIOD PROFIT	24.761	27.512
1.2	TAXES AND DUES PAYABLE (-)	(5.340)	(5.925)
1.2.1	Corporate Tax (Income Tax)	(5.359)	(5.113)
1.2.2	Withholding Tax	-	-
1.2.3	Other taxes and dues (**)	19	(812)
		-	-
A.	**NET PERIOD PROFIT (1.1-1.2)**	**19.421**	**21.587**
1.3	PRIOR YEARS LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVE (-) (-)	-	1.080
1.5	OTHER STATUTORY RESERVES NEEDED TO BE KEPT IN THE COMPANY (-)	-	-
B	**DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3-1.4-1.5)]**	**-**	**20.507**
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1	To Owners of Ordinary Shares	-	-
1.6.2	To Owners of Preferred Stocks	-	-
1.6.3	To Profit Sharing Bonds	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Owners of the profit /loss Sharing Certificates	-	-
1.7	DIVIDENS TO PERSONNEL (-)	-	-
1.8	DIVIDENS TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDENS TO SHAREHOLDERS (-)	-	-
1.9.1	To Owners of Ordinary Shares	-	-
1.9.2	To Owners of Preferred Stocks	-	-
1.9.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Owners of the profit /loss Sharing Certificates	-	-
1.10	SECOND LEGAL RESERVES (-)	-	-
1.11	STATUS RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	20.507
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
		-	-
II.	**DISTRIBUTION FROM RESERVES**		
2.1	DISTRIBUTED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	SHARE TO SHAREHOLDERS (-)	-	-
2.3.1	To Owners of Ordinary Shares	-	-
2.3.2	To Owners of Preferred Stocks	-	-
2.3.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Owners of the profit /loss Sharing Certificates	-	-
2.4	SHARE TO PERSONNEL (-)	-	-
2.5	SHARE TO BOARD OF DIRECTORS (-)	-	-
		-	-
III.	**EARNINGS PER SHARE**		
3.1	TO OWNERS OF STOCKS	-	-
3.2	TO OWNERS OF STOCKS (%)	-	-
3.3	TO OWNERS OF PREFERRED STOCKS	-	-
3.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-
IV.	**DIVIDEND PER SHARE**	-	-
4.1	TO OWNERS OF STOCKS	-	-
4.2	TO OWNERS OF STOCKS (%)	-	-
4.3	TO OWNERS OF PREFERRED STOCKS	-	-
4.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-

(*) The General Assembly is the authorized body of the Company regarding the distribution of the current period profit. As of the date these financial statements were prepared, the Company's annual Ordinary General Assembly meeting has not been held yet.

(**) Per the Banking Regulation and Supervision Agency, income associated with deferred tax assets shall not be considered as cash or internally generated source and accordingly such amounts taking part of net period profit shall not be included in profit distribution and capital increase. The Company's deferred tax income, resulting from deferred tax assets, of TL 19 (2019: TL 812) was not taken into account in the calculation of distributable profit.

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

1. Organization and Operations of the Company

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.

As of December 31, 2020, the number of employees of the Company is 35 (31 December 2019: 33). The Company's trade registry address, Maslak Maslak Mah. Meydan Sokak No: 5 / B Spring Giz Plaza Sarıyer-Istanbul / Turkey. The company mainly continues its factoring operations in a single geographical region (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).

	31 December 2020	Share (%)	31 December 2019	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**

Authorization of Financial Statements

The Board of Directors has approved the publication of financial statements of the Company on February 4, 2021. The General Assembly has the authority to modify the financial statements.

1.2 Additional paragraph for convenience translation into English of financial statements originally issued in Turkish

As at 31 December 2020, the accounting principles described in Note 2 (defined as Turkish Accounting Standards/Turkish Financial Reporting Standards) to the accompanying interim condensed financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board with respect to the application of inflation accounting, certain reclassifications and also for certain disclosures requirement of the POA/CMB. Accordingly, the accompanying interim condensed financial statements are not intended to present the financial position and results of operations in accordance with IFRS.

2. Basis of presentation of the financial statements

2.1. *Basis of presentation*

2.1.1 Application of Accounting Policy Standards

The Company maintains its books of account and prepares its financial statements in thousands of Turkish Lira ("TL") in accordance with the communiqué "Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be Issued By Leasing, Factoring and Consumer Finance Companies"("Financial Statement's Communiqué") issued by the Banking Regulation and Supervision Agency ("BRSA") in the Official Gazette dated 24 December 2013, numbered 28861; and in accordance with Turkish Accounting Standards/Turkish Financial Reporting Standards ("TAS/TFRS") and their additions and comments issued by the Public Oversight Accounting and Auditing Standards' Authority ("POA") with the Communiqué: "The Procedures Regarding the Provisions to be Provided for the Receivables of Leasing, Factoring and Consumer Finance Companies" ("Communiqué of Provisions") issued by the BRSA. Leasing, factoring and consumer finance companies prepares and declares their financial statements in accordance with regulations issued by BRSA.

The financial statements have been prepared on historical cost basis except for the derivative financial instruments which are measured at fair market value.

Financial statements are prepared on a historical cost basis, except for the revaluation of certain financial instruments. In determining the historical cost, generally, the fair value of the amount paid for the assets is taken as a basis.

The recent outbreak of COVID-19 in China, which has spread to various countries around the world, causing potentially fatal respiratory infections, has led to disruptions in operations, especially in countries overexposed to the outbreak, and has negatively affected economic conditions both regionally and globally. As a result of the spread of COVID-19 worldwide, various measures have been taken in our country as well as in the world to prevent the transmission of the virus, and are still being taken. In addition to these, economic measures are also being taken to minimize the economic impact of the epidemic on individuals and businesses in our country and around the world. The Company Management predicts that the effects of the current situation will not be at significant levels in the financial statements prepared as of December 31, 2020. Besides, the predictions and assumptions used in the following periods will be reviewed again.

Based on BRSA's decision dated 19 March 2020 and numbered 8950, mainly due to the disruptions in economic and commercial activities as a result of the COVID-19 epidemic, in item (a) of the first paragraph of Article 6 of the "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies" and the 90-day delay period specified in the sixth paragraph of the same article is also valid for companies that book expected credit losses within the scope of TFRS 9 and is possible to apply 180 days until 31 December 2020, including the receivables not yet classified in the "Non-Performing Receivables" account as of the date of this Board Decision. Considering the negative impact of the Covid-19 epidemic on economic and commercial activities, the BRSA made a press announcement to the public on the classification of loans, and besides, at its meeting dated 08.12.2020, due to the continuing possible effects of the pandemic, decided to extend the current regulations for the same purposes until 30.06.2021.

2.1.2 Functional and Presentation Currency

The Company's financial statements are presented in the currency of the primary economic environment in which it operates (functional currency). The Company's financial position and results of operations are expressed in TL, which is the presentation currency for the financial statements.

2. Basis of presentation of the financial statements (cont'd)

2.1. *Basis of presentation (cont'd)*

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 IAS 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, IAS 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 balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

2.2 Changes in accounting policies

Changes in accounting policies are applied retrospectively and the prior period financial statements are restated accordingly. There is no major change in the accounting policies of the Company in the current year.

2.3 Change in accounting estimates and errors

The effect of a change in an accounting estimate is recognised prospectively in the period of the change, if the change affects that period only; or the period of the change and future periods, if the change affects both. There has not been any significant change in the accounting estimates of the Company in the current year.

2.4 The new standards, amendments and interpretations

The accounting policies adopted in preparation of the financial statements as at December 31, 2020 are consistent with those of the previous financial year, except for the adoption of new and amended TFRS and TFRIC interpretations effective as of January 1, 2020. The effects of these standards and interpretations on the Company financial position and performance have been disclosed in the related paragraphs.

i) The new standards, amendments and interpretations which are effective as at January 1, 2020 are as follows:

Definition of a Business (Amendments to TFRS 3)

In May 2019, the POA issued amendments to the definition of a business in TFRS 3 Business Combinations standards. The amendments are intended to assist entities to remove the assessment regarding the definition of business.

The amendments:

- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

2. Basis of presentation of the financial statements(cont'd)

2.4 The new standards, amendments and interpretations (cont'd)

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. The amendments did not have a significant impact on the financial position or performance of the Company. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

Amendments to TFRS 9, TAS 39 and TFRS 7- Interest Rate Benchmark Reform

The amendments issued to TFRS 9 and TAS 39 which are effective for periods beginning on or after January 1, 2020 provide reliefs which enable hedge accounting to continue. For these reliefs, it is assumed that the benchmark on which the cash flows of hedged risk or item are based and/or, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. in connection with interest rate benchmark reform.

Reliefs used as a result of amendments in TFRS 9 and TAS 39 is aimed to be disclosed in financial statements based on the amendments made in TFRS 7. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

Definition of Material (Amendments to TAS 1 and TAS 8)

In June 2019, the POA issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

Amendments to TFRS 16 – Covid-19 Rent Related Concessions

In June 5, 2020, the POA issued amendments to TFRS 16 Leases to provide relief to lessees from applying TFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. A lessee that makes this election accounts for any change in lease payments related rent concession the same way it would account for the change under the standard, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021
- There is no substantive change to other terms and conditions of the lease.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Early application of the amendments is permitted. The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

2. Basis of presentation of the financial statements(cont'd)

2.4 The new standards, amendments and interpretations (cont'd)

ii) Standards issued but not yet effective and not early adopted

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the financial statements are as follows. The Company will make the necessary changes if not indicated otherwise, which will be affecting financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted.The Company will wait until the final amendment to assess the impacts of the changes.

TFRS 17 - The new Standard for insurance contracts

The POA issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. The standard is not applicable for the Company and will not have an impact on the financial position or performance of the Company.

Amendments to TAS 1- Classification of Liabilities as Current and Non-Current Liabilities

On March 12, 2020, the POA issued amendments to TAS 1 Presentation of Financial Statements. The amendments issued to TAS 1 which are effective for periods beginning on or after 1 January 2023, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

Amendments to TFRS 3 – Reference to the Conceptual Framework

In July 2020, the POA issued amendments to TFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of TFRS 3. At the same time, the amendments add a new paragraph to TFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to TFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in TFRS standards (March 2018). The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

2. Basis of presentation of the financial statements(cont'd)

2.4 The new standards, amendments and interpretations (cont'd)

Amendments to TAS 16 – Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment. There is no transition relief for the first time adopters. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

Amendments to TAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In July 2020, the POA issued amendments to TAS 37 Provisions, Contingent Liabilities and Contingent assets. The amendments issued to TAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a "directly related cost approach". Amendments must be applied retrospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16

In December 2020, the POA issued Interest Rate Benchmark Reform – Phase 2, Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings. The amendments are effective for periods beginning on or after 1 January 2021.Earlier application is permitted and must be disclosed.

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.

The practical expedient is required for entities applying TFRS 4 Insurance Contracts that are using the exemption from TFRS 9 Financial Instruments (and, therefore, apply TAS 39 Financial Instruments: Classification and Measurement) and for TFRS 16 Leases, to lease modifications required by IBOR reform.

2. Basis of presentation of the financial statements(cont'd)

2.4 The new standards, amendments and interpretations (cont'd)

Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9, TAS 39, TFRS 7, TFRS 4 and TFRS 16 (cont'd)

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the TAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.
- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

Additional disclosures

Amendments need additional TFRS 7 Financial Instruments disclosures such as;
How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and If IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods. The Company is in the process of assessing the impact of the amendments on financial position or performance of the Company.

2. Basis of presentation of the financial statements(cont'd)

2.4 The new standards, amendments and interpretations (cont'd)

Annual Improvements – 2018–2020 Cycle

In July 2020, the POA issued Annual Improvements to TFRS Standards 2018–2020 Cycle, amending the followings:

- TFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary tto measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.
- TFRS 9 Financial Instruments – Fees in the "10 per cent test" for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf.
- TAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of TAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of TAS 41.

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all. The Company is in the process of assessing the impact of the improvements on financial position or performance of the Company.

2.5 Summary of significant account 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 other expense

Other income and expenses are recognized on an accrual basis.

iii. Financial income / expense

Financial income includes interest income and exchange rate differences. Financial expenses include interest expense on loans, foreign exchang losses and other financial expenses.

2. Basis of presentation of the financial statements (cont'd)

2.5 Summary of significant account policies (cont'd)

b) Financial Instruments:

Financial assets and liabilities are recognized in balance sheet as long as the company is legally involved in particular financial instruments.

Financial Assets

Financial assets are accounted for at fair value less transaction costs except for the financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Investments are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or where appropriates a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for financial assets other than those financial assets designated as at fair value through profit or loss.

Factoring Receivables and Other Receivables

Factoring receivables originated by the Company by providing money directly to the borrower are considered as factoring receivables and are carried at amortized cost.

Provision for total factoring receivables determined upon the evaluation of factoring receivables comprises the impaired factoring receivables in the factoring receivables portfolio of the Company. The Company books this provision "Communiqué on Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables" published in the Official Gazette dated December 24, 2013 and numbered 28861. In accordance with the mentioned communiqué, special provision is booked after taking into consideration their pledges at a rate of at least 20% for factoring receivables whose maturity is 90-180 days overdue, at a rate of at least 50% for factoring receivables whose maturity is 180-360 days overdue, and at a rate of 100% for factoring receivables whose maturity is one year overdue. On the other hand, based on the decision taken by the BRSA within the scope of the COVID-19 outbreak, the 90-day delay period envisaged for the classification of financial assets as non-performing loans, effective from 19.03.2020, has started to be applied as 180 days until 31.12.2020. Considering the negative impact of the COVID-19 epidemic on economic and commercial activities, the BRSA made press announcements to the public on the classification of loans, and in addition, at its meeting dated 08.12.2020, it decided to extend these regulations for the same purposes until 30.06.2021 due to the continued potential effects of the pandemic. According to the Offical Gazette n. 30409 in 02.05.2018; the regulation about the " financial leasing, factoring, the accounting applications of finance companies and financial statements; making provision in the scope of TFRS 9 has been set optional. Accordingly, the company does not make provision in the scope of TFRS 9 as of December 31, 2019.

2. Basis of presentation of the financial statements (cont'd)

2.5 Summary of significant account policies (cont'd)

By taking into account all data concerning the credibility level of debtors and the principles of reliability and prudence, the Company also creates specific provisions for receivables without including collaterals, even if they are collected when due or are not overdue beyond the time limits given.

The Communiqué on Provisions states, but not requires, that a general provision, not directly related to any specific transaction, may be created for potential, unmeasured losses associated with any principal or interest or both that are not overdue or are overdue for less than ninety days. The Company creates general provisions for its factoring receivables that have not yet become doubtful.

Receivables that cannot be collected, whether in whole or in part, are written off only after the relevant debtor is ruled insolvent by a court of competent jurisdiction. Once a receivable is written off, the provision created for the receivable is reversed and the receivable is removed from assets. Any account receivable written off in any previous year but later collected is recognized as income.

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.

The Company does not have financial assets held to maturity as of December 31, 2020 (December 31, 2019: None).

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.

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.

The Company does not have financial assets whose fair value changes are reflected in other comprehensive income as of December 31, 2020 (financial assets available for sale on December 31, 2019: None).

2. Basis of presentation of the financial statements (cont’d)

2.5 Summary of significant account policies (cont’d)

Factoring receivables and other 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 FVOCI, 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.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand; demand deposits and other short-term highly liquid investments which their original maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying value of these assets approximates their fair value.

Derivative Financial Instruments and 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 2020 and 2019.

2. Basis of presentation of the financial statements (cont'd)

2.5 Summary of significant account policies (cont'd)

Financial Liabilities

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instruments. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below:

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

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 borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method and the interest expense recognized on an effective yield basis.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of financial liability, or, where appropriate, a shorter period.

b) Property, Plant and Equipments

Property, plant and equipment are carried at cost less accumulatenetd 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.

2. Basis of presentation of the financial statements (cont'd)

2.5 Summary of significant account policies (cont'd)

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

Description	Years
Furniture and fixtures	5 years
Vehicles	5 years
Buildings	50 years

Special costs are depreciated by direct depreciation method over the shorter of the useful life of the private cost or lease terms.

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.

e) Impairment of Non-Financial Assets

At each balance sheet date, the Company reviews all of its non-financial assets to look for any indication that any non-financial asset may be impaired. If there is an indication that any non-financial asset may be impaired, then the Company calculates that asset's recoverable amount.

The recoverable amount of an asset or a cash generating unit is the higher of that asset's or unit's fair value less costs to sell and its value in use. When calculating the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset.

Impairment losses are assessed at each balance sheet date whether there is an indication that an impairment loss has decreased or no longer exists. Impairment loss is reversed in the event of a change in the estimations used to measure the recoverable amount.

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.

2. Basis of presentation of the financial statements (cont'd)

2.5 Summary of significant account policies (cont'd)

g) Employee benefits

Provision for severance pay is allocated according to the amount of the possible liability arising from the retirement of the Company employees and reduced to its present value calculated according to the Turkish Labor Law. It is calculated on an accrual basis as it is earned by employees and accounted for in the financial statements. The amount of liability is calculated based on the severance pay cap announced by the government.

TAS 19 "Employee Benefits" provides for the calculation of the present value of companies' possible liabilities using actuarial valuation methods. Therefore, the present value of the company's probable liability is calculated using the assumptions in the table below.

	December 31, 2020	December 31, 2019
Net discount rate	4,67%	4,67%

The basic assumption is that the cap set for each annual service increases in proportion to inflation.

h) Provisions, Contingent Liabilities and Contingent Assets

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that 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 balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where 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.

i) Borrowing Costs

All borrowing costs are recorded in profit or loss in the period in which they are incurred.

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

2. Basis of presentation of the financial statements (cont'd)

2.5 Summary of significant account policies (cont'd)

j) Effects of currency change

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates. Financial position and the results of operations of the Company are expressed in TL.

The foreign currency exchange rates used by the Company as of December 31, 2020 and December 31, 2019 are as follows:

	December 31, 2020	December 31, 2019
USD	7,3405	5,9402
EURO	9,0079	6,6506
GBP	9,9438	7,7765

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

According to standard of TMS 33 " Earning per Share", companies processed their stocks inexchange market do not have to announce earning per share. Because stocks of the company do not process in Exchange market, earning per share is not calculated in financial statements.

l) Subsequent events

Subsequent events cover any events which arise between the date of the statement of financial position and the date of approval of the financial statements, even if they occurred after any declaration of the net profit for the period or specific financial information publicly disclosed.

The Company adjusts its financial statements if such subsequent events require an adjustment to the financial statements.

m) Segment Reporting of Financial Information

The segment disclosure as per TFRS 8 is not presented since the Company's borrowing instruments or financial instruments based on equity are not traded on the stock exchange or other organized markets.

n) Taxes Calculated on The Basis of The Company's Earnings:

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

The current tax payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The Company's current tax liability is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

2. Basis of presentation of the financial statements (cont'd)

2.5 Summary of significant account policies (cont'd)

Deferred tax

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and 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.

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.

Such 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.

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.

o) TFRS 16 Leases

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoption permitted.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-use asset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

2. Basis of presentation of the financial statements (cont'd)

2.5 Summary of significant account policies (cont'd)

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The company has benefited from facilitating applications for leases and low value leases whose leases will expire within 12 months or less as of the transition date. The company's office equipment leases (such as personal computers, photocopiers) are considered as low value leases. It has been evaluated that the standard has no material effect on the financial statements of the company.

p) Cash Flow Statement

In statement of cash flows, cash flows are classified according to operating, investment and finance activities. Cash flows from operating activities are those resulting from factoring operations of the Company.

Cash flows from investing activities indicate cash inflows and outflows resulting from fixed asset and financial investments. Cash flows from financing activities indicate the resources used in financing activities and the repayment 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 30.

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.

2.6 Significant Accounting Evaluation, Estimates and Assumptions

In the preparation of the financial statements, the Company management must make assumptions and estimates that will affect the assets and liabilities reported as of the balance sheet date and determine the liabilities and commitments likely to occur as of the balance sheet date and the income and expense amounts as of the reporting period. Although these estimates and assumptions are based on Company management's best knowledge of the current events and transactions, actual results may differ from the assumptions. Estimates are regularly reviewed, necessary adjustments are made and reflected in the income statement of the period they occur. The main notes using estimates are as follows:

Notes 18 – Provisions
Notes 31 – Tax assets and liabilities

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

3. Cash and cash equivalents

	December 31, 2020		December 31, 2019	
	TL	**FC**	TL	FC
Cash	**-**	**-**	-	-
Banks	**171**	**19.359**	126	11.138
~ Demand Deposit	*171*	*2.453*	*126*	*4.010*
~ Time Deposits	*-*	*16.906*	*-*	*7.128*
	171	**19.359**	126	11.138

As of 31 December 2020, the amount of cash and cash equivalents used in the preparation of the cash flow statement was TL 19.505, excluding the interest income rediscounts of the time deposits. (December 31, 2019: TL 11.264). As of December 31, 2020, the Company's time deposits have a maturity of less than three months and the effective interest rate of time deposits, all in USD, is 3,.08% on average. (December 31, 2019: the Company's time deposits have a maturity of less than three months and the effective interest rate of time deposits, all in USD, is 2,25% on average.)

As of 31 December 2020, there is no blockage on bank deposits.

4. Financial assets available for sale

None (December 31, 2019: None).

5. Factoring receivables

	December 31, 2020		December 31, 2019	
	TL	**FC**	TL	FC
Discounted Factoring receivables	**145.740**	**58.994**	137.459	43.993
Other Factoring receivables	**71.998**	**22.533**	57.384	51.556
	217.738	**81.527**	194.843	95.549

	December 31, 2020		December 31, 2019	
	TL	**FC**	TL	FC
Domestic Factoring Receivables(*)	**217.738**	**58.994**	194.843	43.993
Export and import factoring receivables	**-**	**22.533**	-	51.556
Non-performing Factoring Receivables (**)	**21.815**	**-**	22.842	2.300
Gross factoring receivables	**239.553**	**81.527**	217.685	97.849
Specific provision for impaired factoring receivables	**(21.815)**	**-**	(22.842)	(2.300)
Factoring receivables, Net	**217.738**	**81.527**	194.843	95.549

(*) The Company has an unearned receivable about TL 6.154 from domestic factoring receivables by the date of December 31, 2020 (December 31, 2019: TL 5.558 TL)

(**) It is classified as "non-performing receivables" in balance sheet.

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

5. Factoring receivables (cont'd)

As of December 31, 2020 and 2019, distribution of gross factoring receivables are as follows::

	December 31, 2020	December 31, 2019
Fixed rate	**251.488**	103.822
Floating rate	**47.777**	186.570
	299.265	290.392

Analysis of factoring receivables are as follows:

	31 Aralık 2020	31 Aralık 2019
Neither past due nor impaired	**299.265**	290.392
Past due but not impaired	**-**	-
Impaired	**21.815**	25.142
Gross	**321.080**	315.534
(Loss): Specific provision for impaired factoring receivables	**(21.815)**	(25.142)
Factoring receivables and non-performing receivables (net)	**299.265**	290.392

The sectoral distribution of factoring receivables as of December 31, 2020 and December 31, 2019 are as follows:

	December 31, 2020		December 31, 2019	
	Total	**%**	Total	%
Retail and wholesale Trade	**48.984**	**16,4**	45.414	15,6
Financial Services	**40.632**	**13,5**	21.864	7,5
Textiles	**34.632**	**11,6**	60.967	21,0
Transportation, storage and communication	**28.219**	**9,4**	26.009	9,0
Wood and Wooden Products	**24.920**	**8,3**	23.619	8,1
Machinery and equipment	**24.403**	**8,2**	13.139	4,5
Construction	**16.028**	**5,4**	15.459	5,3
Chemicals and pharmaceuticals	**15.876**	**5,3**	20.274	7,0
Researching	**14.063**	**4,7**	17.329	6,0
Non-metal industry	**10.961**	**4,3**	8.721	3,0
Iron, steel, coal, petroleum, other mines	**10.139**	**3,7**	28.977	10,0
Leather industry	**8.282**	**3,4**	705	0,2
Tourism	**3.104**	**2,8**	1.334	0,5
Food, beverages and tobacco	**2.585**	**1,0**	1.400	0,5
Computer and computer equipment	**2.063**	**0,9**	1.400	0,5
Agriculture and ranching	**1.473**	**0,7**	1.927	0,7
Electrical equipment	**-**	**0,5**	742	0,3
Other	**12.901**	**0,0**	1.112	0,3
	299.265	**100**	290.392	100

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

5. Factoring receivables (cont'd)

As of December 31, 2020 and 2019, distribution of revocable factoring transactions are as follows:

	December 31, 2020	December 31, 2019
Customer Checks	**163.631**	342.093
	163.631	342.093

As of December 31, 2020 and 2019, ,distribution of collaterals received for factoring receivables are as follows:

	December 31, 2020		December 31, 2019	
	TL	**FC**	TL	FC
Received Bails (*)	**4.553.888**	**881.814**	4.271.887	696.290
Collateral Checks and Bills	**112.449**	**103.689**	100.994	87.254
	4.666.337	**985.503**	4.372.881	783.544

(*) If bails is received from more than one person for a receivable, each amount of bailes received is taken into account separately and reflected to the collateral balance.

6. Non-performing receivables

The Company measures and recognizes losses incurred or to be incurred from its receivables in accordance with the requirements of the "Communiqué on Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables" issued by BRSA on December 24, 2013 and numbered 28861.

	December 31, 2020	December 31, 2019
Non-performing factoring receivables	**21.815**	25.142
Specific Provisions	**(21.815)**	(25.142)
	-	-

The aging of the past due factoring receivables as of December 31, 2020 and 2019 is as follows:

	December 31, 2020	December 31, 2019
Up to 90 days	**56**	16.928
Between 90-180 days	**-**	2
Between 180-360 days	**-**	5.538
360 days and above	**21.759**	2.674
	21.815	25.142

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

6. Non-performing receivables (cont'd)

The Company measures and recognizes losses incurred or to be incurred from its receivables in accordance with the requirements of the "Communiqué on Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables" issued by BRSA on December 24, 2013 and numbered 28861. On the other hand, based on the decision taken by the BRSA within the scope of the COVID-19 outbreak, the 90-day delay period envisaged for the classification of financial assets as non-performing loans, effective from 19.03.2020, has started to be applied as 180 days until 31.12.2020. Considering the negative impact of the COVID-19 epidemic on economic and commercial activities, the BRSA made press announcements to the public on the classification of loans, and in addition, at its meeting dated 08.12.2020, it decided to extend these regulations for the same purposes until 30.06.2021 due to the continued potential effects of the pandemic.

The movement of specific provision for allowance of non-performing factoring receivables as of December 31, 2020 is as follows:

	January 1 – December 31, 2020	January 1- December 31, 2019
Balance as at January 1	**25.142**	9.062
Provision booked during the period	**56**	22.395
Deleted on assets (*)	**(402)**	(1.526)
Collections	**(2.981)**	(4.789)
Balance at 31 December	**21.815**	25.142

(*) During the period, the Company has allocated 100 percent provision for the amount of TL 402 and transferred all of its impaired receivables to the asset management company with a price of TL 4 (31 December 2019: All of the non-performing receivables amounting to TL 1.526 for the asset with a value of TL 0,5 transferred to the management company).

7. Tangible Assets

	January 1, 2020	**Addition**	**Disposal**	**December 31, 2020**
Cost				
Furniture ve fixture	738	88	-	826
Vehicle	1.929	-	-	1.929
Special costs	341	-	-	341
Other	837	-	-	837
	3.845	**88**	**-**	**3.933**

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

7. Tangible Assets (cont'd)

	January 1, 2020	Current year depraciation	Disposal	December 31, 2020
Accumulated Depreciation				
Furniture ve fixture	559	29	-	588
Vehicle	1.274	71	-	1.345
Special costs	341	-	-	341
	2.174	**100**	**-**	**2.274**
Net book value	**1.671**			**1.659**

	January 1, 2019	Addition	Disposal	December 31, 2019
Cost				
Furniture ve fixture	666	72	-	738
Vehicle	1.679	497	(247)	1.929
Special costs	341	-	-	341
Other	837	-	-	837
	3.523	**569**	**(247)**	**3.845**

	January 1, 2019	Current year depreciation	Disposal	December 31, 2019
Accumulated Depreciation				
Furniture ve fixture	496	63	-	559
Vehicle	1.381	124	(231)	1.274
Special costs	341	-	-	341
	2.218	**187**	**(231)**	**2.174**
Net book value	**1.305**			**1.671**

As of 31 December 2020, the Company has tangible fixed assets with a net book value of TL 1.659, with a cost of TL 3.933 and an accumulated depreciation amount of TL 2.274 (As of 31 December 2019, the net book value of tangible fixed assets is 1.671 TL).

8. Intangible assests

	January 1, 2020	Additon	Disposal	December 31, 2020
Cost				
Computer softwares and rights	614	22	-	636
	614	**22**	**-**	**636**

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

8. Intangible assests (cont'd)

	January 1, 2020	Amortization	Disposal	December 31, 2020
Accumulated Amortization				
Computer softwares and rights	332	32	-	364
	332	**32**	**-**	**364**
Net book value	**282**			**272**

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

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

As of December 31, 2020, the Company has 636 TL intangible fixed assets and the accumulated depreciation amount is 364 TL and the net book value is 272 TL (As of December 31, 2019, the net book value of intangible fixed assets is 282 TL).

9. 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.

	January 1, 2020	Addition	Disposal	December 31, 2020
Cost				
Invetment Property	1.816	535	-	2.351
	1.816	**535**	**-**	**2.351**

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

9. Investment Property (cont'd)

	January 1, 2020	Current year depreciation	Disposal	December 31, 2020
Accumulated Depreciation				
Invetment Property	334	18	-	352
	334	**18**	**-**	**352**
Net book value	**1.482**			**1.999**

	January 1, 2019	Addition	Disposal	December 31, 2019
Cost				
Invetment Property	1.308	508	-	1.816
	1.308	**508**	**-**	**1.816**

	January 1, 2019	Current year depreciation	Disposal	Decemer 31, 2019
Accumulated Depreciation				
Invetment Property	301	33	-	334
	301	**33**	**-**	**334**
Net Defter Değeri	**1.007**			**1.482**

As of December 31, 2020, the Company has investment property of TL 2.351 and the accumulated depreciation amount is TL 352, with a net book value of TL 1.999 (As of December 31, 2019, the net book value of investment properties is TL 1.482).

10. Deferred tax assets/(liabilities)

The carrying amount of an asset or liability and the company determined by the tax legislation for the value of taxable temporary differences between the tax basis, "Income Related to Tax Turkey Accounting Standards" ("TAS 12") and its interests calculate deferred taxes following the provisions of reports. Deferred tax calculation uses legalized tax rates that are valid as of the balance sheet date under the applicable tax legislation.

Since the corporate tax rate of 22 percent entered into force with the "Law on Amending Certain Tax Laws and Some Other Laws" numbered 7061, while preparing the financial statements of 31 December 2019 in deferred tax calculations, the rate of 22 percent for the temporary differences that are likely to be recovered in 2019 and 2020, the rate of 20 percent has been used for the part exceeding two years. Due to the completion of the temporary tax rate change as of 2020, the Company used a 20 percent tax rate when preparing the financial statements as of December 31, 2020, for the temporary differences expected to occur or close in 2021 and after.

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

10. Deferred tax assets/(liabilities) (cont'd)

	Temporary differences		Deferred tax assets/liabilities	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
Employee severance payments	1.158	930	231	186
Employee permission payments	-	387	-	77
Prepaid commissions	1.141	413	228	91
Unearned interest income	6.154	5.559	1.231	1.223
Derivative financial instruments	-	227	-	50
Deferred tax assets	**8.453**	**7.516**	**1.690**	**1.627**
Tangible and intangible assets	(817)	(595)	(163)	(119)
Deferred tax liabilities	**(817)**	**(595)**	**(163)**	**(119)**
Deferred tax liabilities (net)	**7.636**	**6.921**	**1.527**	**1.508**

As of December 31, 2020, movement of deferred tax asset is as follows:

	2020	2019
Beginning balance, January 1	**1.508**	2.320
Deferred tax (expense)/ income	**19**	(812)
Closing balance, December 31	**1.527**	1.508

11. Assets held for sale purpose and related to discontinued operations

None (December 31, 2019: None)

12. Other assets

	December 31, 2020		December 31, 2019	
	TL	**FC**	TL	FC
Receivables from Customers (*)	**1.043**	**7**	1.026	66
Prepaid expenses	**19**	-	19	-
	1.062	**7**	1.045	66

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

13. Funds Borrowed

	December 31, 2020	December 31, 2019
Short-term bank borrowings	**113.931**	116.500
	113.931	116.500

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

13. Funds Borrowed (cont'd)

The details of bank borrowings are as follows:

Currency	**Average Interest rate%**	**Maturity**	**December 31, 2020**
TL	**18,40%**	**January 2021 – February 2021**	**54.708**
			54.708

Currency	Average Interest rate %	Maturity	December 31, 2019
TL	11,86%	January 2020 - January 2020	26.794
			26.794

Currency	**Average Interest rate%**	**Maturity**	**December 31, 2020**
USD	**0,66%**	**January 2021 – May 2021**	**44.807**
			44.807

Currency	Average Interest rate%	Maturity	December 31, 2019
USD	4,15%	Ocak 2020 – Aralık 2020	80.427
			80.427

Currency	**Average Interest rate%**	**Maturity**	**December 31, 2020**
EUR	**0,37%**	**March 2021 – May 2021**	**14.416**
			14.416

Currency	Average Interest rate%	Maturity	December 31, 2019
EUR	0,45%	February 2020 – April 2020	9.270
			9.270

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

13. Funds Borrowed (cont'd)

Currency	**Average Interest rate%**	**Maturity**	**December 31, 2020**
GBP	-	**-**	**-**
			-

Currency	Average Interest rate%	Maturity	December 31, 2019
GBP	-	-	9
			9

	December 31, 2020		December 31, 2019	
	TL	**FC**	TL	FC
Fixed rate	**54.708**	**59.223**	26.794	-
Floating rate	**-**	**-**	-	89.706
	54.708	**59.223**	26.794	89.706

14. Bonds and notes issued

None (December 31, 2019: None)

15. Factoring payables

	December 31, 2020	December 31, 2019
Factoring payable	**14.194**	16.316
	14.194	16.316

16. Financial lease obligations

None (December 31, 2019: None)

17. Other payables

	December 31, 2020		December 31, 2019	
	TL	**FC**	TL	FC
Fees and commissions collected in advance	**65**	**1.076**	69	344
Suppliers payable	**479**	**18**	494	6
	544	**1.094**	563	350

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

18. Provisions

Reserves For Employee Benefits

	December 31, 2020	December 31, 2019
Provision for employment termination benefits	**1.158**	930
Provision for unused vacation	**-**	387
	1.158	1.317

Provision for employment termination benefits

Provision for employment termination benefits table is as follows:

	December 31, 2020	December 31, 2019
January 1, beginning	**930**	745
Interest rate	**112**	39
Service cost	**236**	208
Payments during the period	**(118)**	(62)
Balance at the end of the period	**1.158**	930

According to Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 years for women, 60 years for men). After the legislative amendment on May 23, 2002, some of transition process articles that related with service time before the retirement were excluded.

The indemnity to be paid is up to one month's salary for each service year, not exceeding the retirement pay ceiling amount for the relevant period, and this amount is limited to 7.117.17 TL (2019: 6.379.86 TL) as of 31 December 2020 (with full TL amount).

The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans.

As of December 31, 2020 and December 31, 2019, the Company have an independent actuarial work that discounts employment termination benefits based on estimated inflation rates and factors arising from its experience in the separation or termination of personnel from employees and using the interest rate of government bonds applicable at the relevant balance sheet date and "Project Unit Credit Method",and reflected it in its financial statements. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 7% and a discount rate of 12%, resulting in a real discount rate of approximately 4,67% (December 31, 2019: inflation rate of 7% and a discount rate of 12%, resulting in a real discount rate of approximately 4,67%).

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation.

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

19. Minority shares

None (December 31, 2019: None).

20. Paid-In Capital And Capital Reserves

Paid in-capital

As of 31 December 2020, the company's capital is TL 60.000 Thousand (31 December 2019: TL 60.000 Thousand). As of December 31, 2020, the Company has 60.000.000 (31 December 2019: 60.000.000) non-privileged stocks with a value of TL 1 (31 December 2019: TL 1). The registered capital of the company consists of 100.000.000 shares each worth 1 TL.

In statutory financial statements, accumulated profits may be distributed except for legal reserves and subject to following requirements for legal reserves.The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"), The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other usage unless they exceed 50% of paid-in capital. According to Law No. 5228 on Amendments to Certain Tax Laws published in Official Gazette No. 25539 if 31 July 2004, inflation adjustments to shareholders' equity line items arising from inflation adjusted financial statements and recognized in "Accumulated Profit/Loss" may be offset against inflation-adjusted accumulated losses or included in share capital by corporate taxpayers, and this transaction is treated as a dividend distribution. As per the Banking Regulation and Supervision Agency (BRSA) , income associated with deferred tax assets shall not be considered as cash or internally generated source and accordingly such amounts taking part of net period profit shall not be included in profit distribution and capital increase.

21. Profit reserves

As of December 31, 2020 and 2019 profit reserves are as follows:

	December 31, 2020	December 31, 2019
Legal reserves	**16.271**	15.191
	16.271	15.191

22. Prior Period's Profit / Loss

	December 31, 2020	December 31, 2019
Prior Periods Profit/Loss	**97.516**	77.009
	97.516	77.009

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

23. Provisions, contingent assets and contingent liabilities

23.1 Letters of Guarantee Received

As at 31 December 2020 and 2019, the details of the Company's items held in custody is as follows:

	December 31, 2020		December 31, 2019	
	TL	**FC**	TL	FC
Customers' Cheques	**31.642**	**24.569**	68.363	23.504
Customers' Notes	**80.807**	**79.120**	32.629	63.750
Received Bails	**4.553.888**	**881.814**	4.271.888	696.290
	4.666.337	**985.503**	4.372.880	783.544

(*) 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 2020 and 2019 are as follows:

	December 31, 2020		December 31, 2019	
	TL	**FC**	TL	FC
Letters of guarantee given to banks	**27.108**	**-**	17.500	-
Bails in favor of customers	**7.500**	**-**	7.500	-
Guarantee in favor of customers	**-**		8	-
	34.608	**-**	25.008	-

24. Operating income

	January 1-December 31, 2020	January 1-December 31, 2019
Factoring interest income	**41.350**	69.034
Factoring commission and other income	**2.866**	5.037
	44.216	74.071

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

25. Operating expense

	January 1-December 31, 2020	January 1-December 31, 2019
Personnel expenses	**16.145**	14.834
Rent a car expenses	**2.183**	1.831
Information technologies expenses	**577**	406
Audit and consultancy expenses	**466**	173
Subscription fee	**424**	451
Provisions for employee termination benefits expense	**348**	248
Vehicle expenses	**149**	226
Taxes and duties	**149**	122
Amortization and depreciation expenses(*)	**130**	321
Representation expenses	**65**	115
Advertisement expenses	**40**	79
Other	**849**	1.207
	21.525	20.013

The detail of personnel expenses as of 31 December 2020 and 31 December 2019 are as follows:

	January 1-December 31, 2020	January 1-December 31, 2019
Salary expenses	**14.139**	12.924
Social security premium employer's share	**937**	902
Insurance expenses	**579**	505
Transportation expenses	**210**	181
Meal expenses	**206**	175
Unemployment security employer's share	**66**	64
Other	**8**	83
	16.145	14.834

26. Other operating income

	January 1-December 31, 2020	January 1-December 31, 2019
Foreign currency gain	**13.600**	6.302
Provision no longer required	**3.600**	4.789
Interest Received from Banks	**619**	1.088
Gain from derivative instruments	**-**	573
Other	**-**	283
	17.819	13.035

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

27. Financial expenses

	January 1- December 31, 2020	January 1- December 31, 2019
Interest expense on bank borrowings	**6.367**	9.770
Fees and Commissions Expenses	**624**	912
	6.991	10.682

28. Provisions Expenses

As of December 31, 2020 and 2019 provisions follows:

	January 1- December 31, 2020	January 1- December 31, 2019
Provision expenses	**(56)**	(22.395)
	(56)	(22.395)

29. Other operating expenses

	January 1- December 31, 2020	January 1- December 31, 2019
Foreign exchange loss	**8.702**	5.704
Derivative financial transactions loss	**-**	800
	8.702	6.504

30. Related Party Transactions

The detail of related party transactions as of 31 December 2020 and 31 December 2019 are as follows:

	January 1- December 31, 2020	January 1- December 31, 2019
M. Semra Tümay – rent expenses	**2.183**	1.831
	2.183	1.831

Top management fees and rights:

As of 31 December 2020 the company paid amount to TL 10.676 to Board of Directors and top management (31 December 2019: TL 9.587).

31. Tax assets and liabilities

Corporation Tax

In Turkey, the corporate tax rate is 20%. Provisional Article 10 of the Corporate Tax Act states that, the 20% advance corporate income tax rate will be raised to 22% for the upcoming tax years 2018, 2019 and 2020. Corporate tax income rate is applied to net corporation profit, which is calculated by adding non-deductible expenses to, and deducting exemptions and discounts from the commercial income of the corporations. The corporate income tax declarations are submitted by the end of 25th and are paid by the last day of the 4th month of the following year.

The companies apply 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) tax rate over their quarterly profits when calculating their temporary tax payables; which they are obliged declare via Advance Corporate Tax Declaration by the end 14th, and pay by the end of 17th of the 2 month following the related period. Quarterly Advance Corporate Tax payments made within a year are deducted from the Corporate Income Tax calculated for the same fiscal year.

Following the netting-off, if there is still remaining Advance Corporate Tax balance, it can be deducted from any other financial debt owed to the State or can be received in the form of cash refund.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate income tax base of up to next 5 years; while, declarations and related accounting records can be examined by the State officials within up to next 5 years. If an error is found as a result of investigations, the tax amounts may change according to new tax assessmentDividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, 15% withholding tax rate is applied to dividends paid.

An increase in capital via issuing bonus shares is not considered as a profit distribution and are not subject to withholding tax.

Current Period Tax Expense and Deferred Tax

Tax expense includes current tax expense and deferred tax expense. Tax is included in the income statement, provided that it is not directly related to a transaction accounted for under equity. Otherwise, the tax is accounted for under the equity, together with the related transaction.

Current tax expense is calculated by taking into account the tax legislation, in force as of the financial statement date, in respective countries where the investments of the subsidiaries and investments accounted for by the equity method are active. According to Turkish tax legislation, all legal or business centers and institutions in Turkey, are subject to Corporate Income Tax.

In the Turkish taxation system, financial losses may be offset against taxable profits for up to next five years while may not be offset (retrospectively) from previous years' earnings.

In addition, corporations pay Advanced Corporate Tax of 20% (22% for taxation periods of 2018, 2019 and 2019) over the tax base declared in the year end periods during the year to which can be deducted from the Corporate Income Tax.

As of December 31, 2020 and 2019, the tax liability has been set aside under the current tax legislation.

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

31. Tax assets and liabilities (cont'd)

As of December 31, 2020 and 2019, taxes in income statement are stated below:

	January 1- December 31, 2020	January 1- December 31, 2019
Corporate tax provision	**5.359**	5.113
Prepaid taxes	**(4.167)**	(6.964)
Tax (assets) / liabilities	**1.192**	(1.851)

	January 1- December 31, 2020	January 1- December 31, 2019
Current tax expense	**5.359**	5.113
Deferred tax expense	**(19)**	812
	5.340	5.925

Reconciliation of Tax Provisions	**January 1- December 31, 2020**	January 1- December 31, 2019
Profit before tax	**24.761**	27.512
Effective Tax Rate	**%22**	%22
Calculated Tax	**(5.447)**	(6.053)
Other and Effects of Expenses are not accepted legally	**(33)**	128
Tax exempt income	**293**	-
Effect of change in tax rate	**(153)**	-
Tax expense in statement of profit or loss	**(5.340)**	(5.925)

32. Earning per share

Since the Company's shares are not traded in the active market, earning per share have not been calculated on the accompanying financial statements.

33. Other matters that significantly affect the financial statements or are necessary for the financial statements to be clear, interpretable and understandable

None. (December 31, 2019: None).

34. Nature and level of financial risk arising from financial instruments

a) Capital risk management

The Company aims to make the most efficient use of the debt and equity balance while trying to maintain the continuity of its operations.

In accordance with Article 12 of the "Regulation on the Formation and Operations of Financial Leasing, Factoring and Financial Companies", published in Official Gazette of December 24, 2013, it is mandatory to achieve and maintain a minimum shareholders' equity to total assets ratio of 3%. The Company has reached standard rate as of December 31, 2020 (December 31, 2019: The Company has reached standard rate).

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

34. Nature and level of financial risk arising from financial instruments (cont'd)

b) Significant account policies

The significant account policies of the Company have been explained in the Note 3 "Applied Valuation Principles / Accounting Policies".

(c) Financial instruments categories

	December 31, 2020	December 31, 2019
Financial Assets:		
Cash Equivalents and Banks	**19.530**	11.264
Financial Assets Held for Trading	**-**	-
Factoring Receivables	**299.265**	290.392
Financial Liabilities:		
Factoring Payables	**14.194**	16.316
Debt Securities Issued	**-**	-
Lease Obligations	**-**	-
Funds Borrowed	**113.931**	116.500

The fair value of the financial assets and liabilities are determined as follows:

- Level 1: Financial assets and liabilities are measured on the basis of the stock exchange prices quoted for identical assets and or liabilities in active markets.

- Level 2: Financial assets and liabilities are measured on the basis of inputs, other quoted market prices included in Level 1, that are observable for the asset or liability, either directly or indirectly.

- Level 3: Financial assets and liabilities are measured on the basis of inputs that are unobservable in active markets and cannot be used to measure the fair value of an identical asset or liability

(d) Financial risk management

The Company is responsible for ensuring access to financial markets on a regular basis and for observing and managing the financial risks to which it is exposed. These risks include market risk (including exchange rate risk, fair interest rate risk and price risk), liquidity risk and cash flow interest rate risk.

(e) Market risk

The Company is exposed to financial risks which is related to changes in foreign exchange rates (please refer to f) and interest rates (please refer to g) and its operations. At a company level, market risk is measured by sensitivity analysis.

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

34. Nature and level of financial risk arising from financial instruments (cont'd)

(e) Market risk (cont'd)

There has been no change in the manner in which the Company exposes the market risk of the current year or how it handles or manages the risks in the current year, compared to the previous year.

(f) Foreign currency risk

Currency risk is a result of the foreign currency transactions. The Company manages its exposure to currency risk which is a result of the Company's operations and cash flows due to the financing agreement regularly.

The table below summarizes the foreign currency position risk of the Company on a detailed basis as of December 31, 2020 and December 31, 2019, the registered amounts of foreign currency assets and debts held by the Company are as follows in terms of their TL equivalents in foreign currencies:

	December 31, 2020			
	USD	**EUR**	**GBP**	**Total**
Assets				
Cash and cash equivalents	17.870	132	1.357	**19.359**
Factoring receivables	44.764	28.684	8.079	**81.527**
Other assets	7	-	-	**7**
Total Assets	**62.641**	**28.816**	**9.436**	**100.893**
Liabilities				
Funds Borrowed	44.807	14.416	-	59.223
Factoring payables	453	4.367	7.955	12.775
Other Liabilities	813	268	13	1.094
Total Liabilities	**46.073**	**19.051**	**7.968**	**73.092**
Net foreing currecy position	**16.568**	**9.765**	**1.468**	**27.801**
Off-balance sheet position	-	-	-	-
Net position	**16.568**	**9.765**	**1.468**	**27.801**

	December 31, 2019			
	USD	**EUR**	**GBP**	**Total**
Assets				
Cash and cash equivalents	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				
Funds Borrowed	80.428	9.270	8	89.706
Factoring payables	9.346	3.845	2.033	15.224
Other Liabilities	232	117	1	350
Total Liabilities	**90.006**	**13.232**	**2.042**	**105.280**
Net foreing currecy position	**743**	**3.488**	**167**	**4.398**
Off-balance sheet position	-	-	-	-
Net position	**743**	**3.488**	**167**	**4.398**

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

34. Nature and level of financial risk arising from financial instruments (cont'd)

(f) Foreign currency risk (cont'd)

<u>Foreign Currency Sensitivity</u>

The Company mainly is exposed to USD and EUR exchange rate risks.

The statement below shows the sensitivity of the Company to USD and EUR when a 10% change occurs at those currencies' exchange rates. 10% change in rates is used when reporting foreign currency risk to the top management and stands for expected fluctuation in exchange rates by the top management. Foreign currency sensitivity analysis for the reporting period of the Company is determined based on the change at the beginning of the fiscal year and fixed during the reporting period. Positive amount refers to increase in net profit.

	December 31, 2020			
	Profit/ Loss		Equity	
	The appreciation of foreign curreny	Depreciation of foreign currency	The appreciation of foreign curreny	Depreciation of foreign currency
10% change of the USD against TL				
1 - Net USD asset/liability	1.657	(1.657)	1.657	(1.657)
2- Hedged portion of TL against USD risk (-)	-	-	-	-
3- Net effect of USD (1 +2)	**1.657**	**(1.657)**	**1.657**	**(1.657)**
10% change of the Euro against TL				
4 - Net Euro asset/liability	976	(976)	976	(976)
5 - Hedged portion of TL against Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	**976**	**(976)**	**976**	**(976)**
10% change of other foreign currencies against TL				
7- Net other foreign currencies asset/liability	147	(147)	147	(147)
8- Hedged portion of TL against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	**147**	**(147)**	**147**	**(147)**
Total (3 + 6 +9)	**2.780**	**(2.780)**	**2.780**	**(2.780)**

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

34. Nature and level of financial risk arising from financial instruments (cont'd)

	December 31, 2019			
	Profit/ Loss		Equity	
	The appreciation of foreign curreny	Depreciation of foreign currency	The appreciation of foreign curreny	Depreciation of foreign currency
10% change of the USD against TL				
1 - Net USD asset/liability	74	(74)	74	(74)
2- Hedged portion of TL against USD risk (-)	-	-	-	-
3- Net effect of USD (1 +2)	**74**	**(74)**	**74**	**(74)**
10% change of the Euro against TL				
4 - Net Euro asset/liability	349	(349)	349	(349)
5 - Hedged portion of TL against Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	**349**	**(349)**	**349**	**(349)**
10% change of other foreign currencies against TL				
7- Net other foreign currencies asset/liability	17	(17)	17	(17)
8- Hedged portion of TL against other currencies risk (-)	-	-	-	-
9- Net effect of other foreign currencies (7+8)	**17**	**(17)**	**17**	**(17)**
Total (3 + 6 +9)	**440**	**(440)**	**440**	**(440)**

g) Credit Risk

Credit risk is defined as the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge its obligation. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and the credit ratings of its counterparties are continuously monitored.

Credit risk exposures relating to types of financial instruments:

December 31, 2020	**Factoring receivables**	**Banks**	**Other Assets**
The maximum credit risk exposure as of reporting date (*)	**299.265**	**19.530**	**1.069**
A. The net book value of financial assets that are neither past due or impaired	**299.265**	**19.530**	**1.069**
B. Renegotiated conditions, otherwise the book value of financial assets at maturity will be accepted as past due or impaired	-	-	-
C. The net book value of assets that are neither past due or impaired	-	-	-
D. The net book value of assets that are impaired	-	-	-
- Overdue (gross book value)	**21.815**	-	-
- Impairment (-)	**(21.815)**	-	-
E. Factors including off-balance sheet credit risk	-	-	-

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

34. Nature and level of financial risk arising from financial instruments (cont'd)

g) Credit Risk (cont'd)

December 31, 2019	Factoring receivables	Banks	Other Assets
The maximum credit risk exposure as of reporting date (*)	290.392	11.264	1.111
A. The net book value of financial assets that are neither past due or impaired	290.392	11.264	1.111
B. Renegotiated conditions, otherwise the book value of financial assets at maturity will be accepted as past due or impaired	-	-	-
C. The net book value of assets that are neither past due or impaired	-	-	-
D. The net book value of assets that are impaired	-	-	-
- Overdue (gross book value)	25.142	-	-
- Impairment (-)	(25.142)	-	-
E. Factors including off-balance sheet credit risk	-	-	-

h) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

i) Interest Rate

The Company is exposed to interest rate risk which is related to the Company's factoring transactions to over fixed and floating interest rates and debt. Such risk is allocated to receivables and payables properly and controlled by the Company.

Interest Rate Sensitivity

Interest rate risk arises from the impact of changes in interest rates on the financial statements. The Company is exposed to interest rate risk due to timing mismatches or differences of assets and liabilities that are due to be expired or re-priced in a given period. The Company manages this risk by applying risk management strategies by matching the dates of interest rate change of assets and liabilities.

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

34. Nature and level of financial risk arising from financial instruments (cont'd)

i) Interest Rate (cont'd)

	December 31, 2020	December 31, 2019
Fixed Rate Financial Instruments		
Financial Assets:		
Banks	**19.530**	11.264
Factoring Receivables	**251.488**	103.822
Financial Liabilities:		
Funds Borrowed	**54.708**	26.794
Factoring Payables	**1.419**	1.092
Debt Securities Issued	**-**	-
Floating Rate Financial Instruments		
Financial Assets:		
Factoring Receivables	**47.777**	186.570
Financial Liabilities:		
Funds Borrowed	**59.223**	89.706
Factoring Payables	**12.775**	15.224

j) Other Pricing Risks

None. (December 31, 2019 :None)

k) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

<u>Liquidity table</u>

The following tables has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Company can be required to pay. The table includes both interests that will be charged and interests that will be paid over the Company's assets and liabilities.

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

34. Nature and level of financial risk arising from financial instruments (cont'd)

k) Liquidity risk (cont'd)

December 31, 2020 **Contract or Expected Maturity**	**Book Value**	**Total Expected Cash Outflows**	**Less than 3 months**	**3-12 months**	**1-5 years**	**More than 5 years**
Non-derivative financial Liabilities	**129.763**	**130.093**	**92.690**	**37.403**	-	-
Funds borrowed	113.931	114.261	76.858	37.403	-	-
Factoring payables	14.194	14.194	14.194	-	-	-
Other liabilities	1.638	1.638	1.638	-	-	-

December 31, 2019 **Contract or Expected Maturity**	**Book Value**	**Total Expected Cash Outflows**	**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**	**-**	**-**
Funds borrowed	116.500	117.549	65.580	51.969	-	-
Factoring payables	16.316	16.316	16.316	-	-	-
Other liabilities	913	913	913	-	-	-

l) Fair value of financial instruments

Fair value is the value that the counterparties will receive after an authorized transaction, other than liquidation and compulsory sale. The listed market value reflects the most reliable current value of an asset, when it is available.

The company determined the fair value of the financial instruments based on the data provided from the market and by using appropriate calculation methods. However the estimation of the fair values based on the market values requires judgement and interpretation. As a result, the estimations presented in this financial tables, may not always be an indicator for the realisable value for the company after a market transaction.

Fair value of the financial instruments is determined based on the reliable data provided from the financial markets in Turkey. Fair value of other financial instruments is determined by benchmarking market value of a similar financial instrument or by assumption methods which includes amortizing the future cash flows with current interest rates.

The company management estimates that the carrying value of the short term assets and liabilities approximates their fair value.

It is anticipated, that the presented values of the factoring receivables and the provisions are shown at their fair values, based on their short-term maturities.

35. Subsequent events

None (December 31, 2019: None).