Fiba Faktoring Anonim Şirketi

Financial Statements
As at 31 December 2016
and Independent Auditor's Report

Deloitte.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Fiba Faktoring A.Ş.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Fiba Faktoring A.Ş. ("the Company"), which comprise the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs).

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matter	How the matter was addressed in the audit
Allowance for impaired factoring receivables At 31 December 2016, gross factoring receivables were TL 1,074,599 thousands against which receivable allowance for impairment of TL 41,065 thousands and unearned income TL 27,496 thousands were recorded ending with a net carrying amount of TL 1,006,038 thousands. The details are disclosed in Note 11 of the financial statements. For specific allowances a management decision and judgement is required to determine when an impairment event has occurred and a necessary classification should be done. So there is a risk of misstatement in the calculation of allowance related to classification of performing / non-performing receivables in accordance with IAS 39. Furthermore, the specific allowances are made against the carrying amount of receivables that are identified as being impaired based on regular reviews of outstanding balances to reduce these receivables to their recoverable amounts. In assessing the recoverable amounts of the receivables, the estimated future cash flows are discounted to their present value using the factoring receivables' original effective interest rates which requires management's significant judgement to exercise. Because of the significance of these judgements and the size of factoring receivables, the audit of allowance for probable losses on factoring receivables is a key area of focus. Furthermore there is a risk of misstatement in the calculation of allowance related to errors in the main parameters of allowance for probable losses on factoring receivables (specific and collective) in accordance with IAS 39 in the IFRS financial statements.	We reviewed the provisioning methodology implemented by the Company. We understood and tested the key controls over the classification and provisioning methodology such as; system based and manual controls over the timely recognition of impaired receivables, controls over the impairment calculation models including data inputs, controls over cash flow estimates and finally governance controls which includes the management meetings for the approval process of allowance for probable losses on loans. We performed a loan review process by testing sample of factoring receivables to form our own assessment as to whether impairment events had occurred and to assess whether impairments had been identified in a timely manner. We tested the assumptions underlying the impairment identification and quantification including forecasts of future cash flows, valuation of underlying collateral and estimates of recovery on default. This included taking into consideration the impact of forbearance. Finally, we understood and tested the controls over related disclosures.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

Müjde Aslan
Partner

İstanbul, 28 August 2017

Fiba Faktoring Anonim Şirketi

Statement of Financial Position

As at 31 December 2016

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

	Notes	**Audited 31/12/2016**	**Audited 31/12/2015**
Assets			
Cash and cash equivalents	*10*	72,114	9,246
Factoring receivables	*11*	1,006,038	947,749
Investment securities	*12*	109,862	102,918
Property and equipment	*13*	4,152	4,122
Intangible assets	*14*	412	370
Other assets	*15*	20,428	19,326
Derivative financial assets	*19*	26,767	22
Deferred tax assets	*8*	4,431	11,432
Total assets		**1,244,204**	**1,095,185**
Liabilities			
Loans and borrowings	*16*	920,550	694,039
Securities issued	*17*	80,051	147,724
Factoring payables	*11*	2,040	3,695
Other liabilities	*18*	2,449	2,197
Derivative financial liabilities	*19*	197	2,460
Employee benefits	*20*	1,996	1,523
Total liabilities		**1,007,283**	**851,638**
Equity			
Share capital	*21*	81,110	81,110
Legal reserves	*21*	41,289	40,298
Other comprehensive income and expenses that will be reclassified subsequently to profit or loss		2	19
Retained earnings		114,520	122,120
Total equity		**236,921**	**243,547**
Total liabilities and equity		**1,244,204**	**1,095,185**

The notes on pages 5 to 44 are an integral part of these financial statements.

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

	Notes	**Audited 2016**	**Audited 2015**
Interest income			
Interest income on factoring receivables		145,805	124,436
Interest income on cash and cash equivalents and investments		3,424	3,327
Total interest income		**149,229**	**127,763**
Interest expense			
Interest expense on loans and borrowings		(57,705)	(58,661)
Interest expense on securities issued		(12,920)	(12,693)
Total interest expense		**(70,625)**	**(71,354)**
Net interest income		**78,604**	**56,409**
Fee and commission income on factoring transactions		4,465	5,716
Fee and commission expense on factoring transactions		(166)	(247)
Other commission expenses, net		(2,129)	(928)
Net fee and commission income		**2,170**	**4,541**
Operating income		**80,774**	**60,950**
Net trading gain/(loss)	*9*	23,637	(8,065)
Foreign exchange gains/(losses), net		(33,076)	(3,425)
Dividend income	*24*	9	-
Other operating income		225	231
Other operating expenses		**(9,205)**	**(11,259)**
Net impairment loss on financial assets	*11*	(18,671)	(7,426)
Personnel expenses	5	(17,624)	(18,721)
Administrative expenses	*6*	(6,882)	(5,937)
Depreciation and amortisation	*13,14*	(331)	(247)
Other expenses	*7*	(1,742)	(3,879)
Profit before income taxes		**26,319**	**13,481**
Income tax expense	*8*	(7,001)	(3,099)
Net profit for the year		**19,318**	**10,382**
Other comprehensive income			
Other comprehensive income / (loss) for the year, net of income tax		(17)	270
Total comprehensive income for the year		**19,301**	**10,652**

The notes on pages 5 to 44 are an integral part of these financial statements.

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

	Notes	Share capital	Legal & other reserves	Other comprehensive income and expenses that be reclassified subsequently to profit or loss	Retained earnings	Total Equity
Balances at 1 January 2015		**81,110**	**35,672**	**(251)**	**146,437**	**262,968**
Total comprehensive income for the period:						
Profit for the period		-	-	-	10,382	10,382
Other comprehensive loss		-	-	270	-	270
Total comprehensive income for the period		-	**-**	**270**	**10,382**	**10,652**
Transactions with owners, recorded directly in equity:						
Dividends	*21*	-	-	-	(30,073)	(30,073)
Transfers to legal reserves	*21*	-	4,626	-	(4,626)	-
Total transactions with owners recorded directly in equity		**-**	**4,626**	**-**	**(34,699)**	**(30,073)**
Balances at 31 December 2015	*21*	**81,110**	**40,298**	**19**	**122,120**	**243,547**

	Notes	Share capital	Legal & other reserves	Other comprehensive income and expenses that be reclassified subsequently to profit or loss	Retained earnings	Total Equity
Balances at 1 January 2016		**81,110**	**40,298**	**19**	**122,120**	**243,547**
Total comprehensive income for the period:						
Profit for the period		-	-	-	19,318	19,318
Other comprehensive income		-	-	(17)	-	(17)
Total comprehensive income for the period		-	**-**	**(17)**	**19,318**	**19,301**
Transactions with owners, recorded directly in equity:						
Dividends	*21*	-	-	-	(25,927)	(25,927)
Transfers to legal reserves		-	991	-	(991)	-
Total transactions with owners recorded directly in equity		**-**	**991**	**-**	**(26,918)**	**(25,927)**
Balances at 31 December 2016	*21*	**81,110**	**41,289**	**2**	**114,520**	**236,921**

The notes on pages 5 to 44 are an integral part of these financial statements.

Fiba Faktoring Anonim Şirketi

Statement of Cash Flows
For the Year Ended 31 December 2016
(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

	Notes	Audited 2016	Audited 2015
Cash flows from operating activities:			
Net profit / (loss) for the year		19,318	10,382
Adjustments for:			
Depreciation and amortisation	*13,14*	331	247
Provision for reserve for employee severance payments, net	*20*	744	383
Provision for vacation pay liability	*20*	30	(26)
Derivative financial instruments	*19*	(29,008)	(12,351)
Net interest and fee accruals		220	(3,612)
Dividend income	*24*	(9)	-
Income taxes	*8*	7,001	3,099
Loss on sale of properties acquired in return of factoring receivables		-	1,268
Provision for doubtful receivables	*11*	18,671	7,426
Unrealized foreign exchange losses/(gain) (net)		(7,917)	(7,648)
		9,381	**(832)**
Change in factoring receivables		(84,750)	(72,292)
Change in other assets		(165)	6,588
Change in factoring payables		(1,655)	2,250
Net change in loans and bank borrowings		228,947	(132,014)
Change in other liabilities		252	30
Employee severance paid	*20*	(301)	(384)
Taxes (paid)/received		-	-
Proceeds from recoveries of impaired factoring receivables	*11*	4,542	1,333
Net cash provided from/(used in) operating activities		**156,251**	**(195,321)**
Cash flows from investing activities:			
Acquisition of property and equipment	*13*	(308)	(374)
Disposal of property and equipment		19	34
Acquisition of investment securities	*12*	-	(500)
Disposal of investment securities		500	-
Acquisition of intangible assets	*14*	(114)	(134)
Dividend received	*24*	9	-
Net cash provided from/(used in) investing activities		**106**	**(974)**
Cash flows from financing activities:			
Cash (payments)/proceeds from securities issued		(67,317)	145,028
Dividends paid	*21*	(25,927)	(30,073)
Net cash provided from/(used in) financing activities		**(93,244)**	**114,955**
Effects of foreign exchange rate fluctuations on cash and cash equivalents		639	645
Increase/(decrease) in cash and cash equivalents		**63,752**	**(80,695)**
Cash and cash equivalents at 1 January	*10*	8,309	89,004
Cash and cash equivalents at 31 December	***10***	**72,061**	**8,309**

The notes on pages 5 to 44 are an integral part of these financial statements.

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

1 General Information

Fiba Faktoring Anonim Şirketi ("Fiba Faktoring" or the "Company") was established in 1992 to provide factoring services to industrial and commercial firms, and is registered in Turkey.

The address of the registered office of Fiba Faktoring is as follows:

1. Levent Plaza A Blok Kat: 2, Büyükdere Caddesi No: 173 1. Levent 34330 İstanbul-Turkey.

The number of employees of the Company as at 31 December 2016 is 111 (31 December 2015: 125).

The Company's principal activity is to provide factoring services substantially in one geographical segment (Turkey).

Merger of Fiba Faktoring A.Ş. with Girişim Faktoring A.Ş. by "taking over" Girişim Faktoring A.Ş.

Fiba Faktoring A.Ş. has merged with Girişim Faktoring A.Ş., which operates within the Fiba Group together with Fiba Faktoring A.Ş. in the same business line, by the transfer of all assets and liabilities of Girişim Faktoring A.Ş. as a whole to Fiba Faktoring A.Ş. pursuant to the decisions of the respective Board of Directors of both Fiba Faktoring A.Ş. and Girişim Faktoring A.Ş. taken on 5 August 2014. Each decision has been approved on 29 December 2015 in the respective Extraordinary General Meetings of Fiba Faktoring A.Ş and Girişim Faktoring A.Ş. and registered in the Trade Register on 31 December 2015. With the registration of the merger in the Trade Register, Girişim Faktoring A.Ş. has been dissolved without liquidation and the merger has been completed.

Resulting from the aforementioned merger, the following shareholders of Girişim Faktoring A.Ş. have all received registered share certificates. Fiba Holding A.Ş., has received certificate of 100.184 registered shares with a nominal value of 1 TL each amounting to 100.184 (full) TL, Fina Holding A.Ş. has received certificate of 32.511.275 registered shares with a nominal value of 1 TL each amounting to 32.511.275 (full) TL, Hüsnü M. Özyeğin has received certificate of 18 registered shares with a nominal value of 1 TL each amounting to 18 (full) TL and Fiba Alışveriş Merk. Gel. İnş. Paz. ve Tic. A.Ş. received certificate of 163 registered shares with a nominal value of 1 TL each amounting to 163 (full) TL.

After the merger transaction as mentioned above, the composition of the authorised and paid-in share capital of Fiba Faktoring A.Ş. is as follows:

	31 December 2016		31 December 2015	
	Number of shares	**Share (%)**	**Number of shares**	**Share (%)**
Fiba Holding A.Ş.	46,198	57	46,198	57
Fina Holding A.Ş.	34,912	43	34,912	43
Others	<1	<1	<1	<1
	81,110	**100**	**81,110**	**100**

2 Basis of preparation

(a) Statement of compliance

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira ("TL") in accordance with the Uniform Chart of Accounts issued by Banking Regulation and Supervision Agency ("BRSA"), the Turkish Commercial Code (the "TCC"), and Tax Legislation. The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs").

The financial statements were approved by the Company management on 28 August 2017. The General Assembly and other regulatory bodies have the power to amend the statutory financial statements after their issue.

Accounting for Business Combinations Under Common Control

Combination of entities under common control are accounted by the pooling of interest method based on the carrying amounts of the merged entities under common control. No goodwill arises on such transactions and the effect of business combinations under common control is accounted under equity in retained earnings account. The financial statements are prepared as if the combination has taken place as of the beginning of the reporting period in which the common control occurs and presented comparatively from the beginning of the reporting period in which the common control occurred.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, as adjusted for the effects of inflation that ended at 31 December 2005 except for the derivative financial instruments and certain investment securities available for sale which are measured at fair value.

The methods used to measure fair values are discussed further in note 4.

(c) Functional and presentation currency

These financial statements are presented in TL, which is the Company's functional currency.

(d) Use of estimates and judgments

The preparation of the financial statements requires in conformity with IFRSs management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

In particular, information about significant assumptions and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 3(d) and (e) Useful lives of property and equipment and intangible assets
- Note 4 – Determination of fair values
- Note 8 – Taxation
- Note 11 – Factoring receivables – Allowance for doubtful receivables
- Note 19 – Derivative financial instruments
- Note 20 – Employee benefits
- Note 22 – Financial risk management
- Note 23 – Commitments and contingencies

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

3 Significant accounting policies

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

(a) Accounting in hyperinflationary economies

International Accounting Standard ("IAS") No. 29, which deals with the effects of inflation in the financial statements, requires that financial statements prepared in the currency of a hyperinflationary economy to be stated in terms of the measuring unit current at the reporting date and the corresponding figures for previous years be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three year inflation rate approaching or exceeding 100%.

The cumulative three-year inflation rate in Turkey was 35.61% as at 31 December 2005, based on the Turkish nation-wide wholesale price indices announced by Turkish Statistical Institute. This, together with the sustained positive trend in the quantitative factors such as financial and economic stabilisation, decrease in the interest rates and the appreciation of TL against the US Dollars ("USD"), have been taken into consideration to categorise Turkey as a non-hyperinflationary economy under IAS 29 effective from 1 January 2006. Therefore, IAS 29 has not been applied to the financial statements as at and for the year ended 31 December 2016 and 2015.

(b) Foreign currency transactions

Transactions in foreign currencies are translated to TL at the foreign exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated to TL at the exchange rates ruling at the reporting date announced by Central Bank of Turkey ("CBT"). Gains and losses arising from foreign currency transactions are recognised in profit or loss.

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

	2016	2015
USD	3.5192	2.9076
Euro ("EUR")	3.7099	3.1776
GBP	4.3189	4.3007

(c) Financial instruments

Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, factoring receivables, investments, other receivables, factoring payables, loans and borrowings, securities issued and other payables.

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

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial instruments are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the instrument.

Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset.

Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

3 Significant accounting policies *(continued)*

(c) Financial instruments *(continued)*

Cash and cash equivalents

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

Time deposits are measured at amortised cost using the effective interest method. Demand deposits are measured at cost.

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

Factoring receivables

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

Loans and borrowings

Loans and borrowings and securities issued are recognised initially at fair value, net of any transaction costs incurred. Subsequent to initial recognition, loans and borrowings are measured at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings.

Investments

Investments in equity and debt securities are classified as available-for-sale assets. Available-for-sale assets are financial assets that are not held for trading purposes, or held to maturity. Investments in debt securities are measured at fair value. Investments in equity securities, which are not quoted in an active market, are measured at cost less impairment losses, if any, as their fair values cannot be estimated reasonably.

When equity investments are disposed of, any resulting gain or loss is recognised in profit or loss as the difference between the sales price and the carrying amount of the investment.

Other

Other non-derivative financial and liabilities are measured at amortised cost.

Derivative financial instruments

The Company holds derivative financial instruments for trading purposes. The Company engages in currency swap, forward and option contracts.

Derivatives held for trading are recognised initially at fair value; attributable transaction costs are recognised in profit and loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes in its fair value are recognised in profit or loss.

Share capital

Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity, net of ant tax effect. Share capital increased pro-rata to existing shareholders is accounted for at par value as approved at the annual meeting of shareholders.

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

3 Significant accounting policies *(continued)*

(d) Property and equipment

Recognition and measurement

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

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

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

Gains and losses on disposal of a component of an item at property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognized on a net basis within "other operating income" or "other expenses" in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in profit or loss as incurred.

Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property and equipment.

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

Buildings	50 years
Furniture and fixtures	5 years
Leasehold improvements	5 years

Leasehold improvements are amortised over the shorter of the lease period and their useful lives.

Depreciation methods, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

(e) Intangible assets

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

The estimated useful lives for the current and comparative years are 3 years.

3 Significant accounting policies *(continued)*

(f) Leased assets

Leases where the entire risks and rewards incident to ownership of an asset are substantially transferred to the Company, are classified as tangible assets acquired by financial lease. Upon the initial recognition tangible assets acquired by financial lease are measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and leased assets are not recognized on the Company's statement of financial position.

(g) Assets held for sale

Assets held for sale consist of apartments, which had been pledged against the factoring receivables from the customers, purchased by the Company when the customers are not able to repay their debts to the Company. Assets held for sale are subsequently measured at the lower of carrying value or fair value less cost to sell and depreciation of the related asset is ceased.

The carrying amounts of the Company's asset held for sale are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

Impairment losses are recognised in profit or loss. Gains from reversal of impairment are not recognised in excess of any cumulative impairment loss.

(h) Impairment

Financial assets

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available-for-sale financial assets is calculated by reference to its current fair value.

Financial assets are tested for impairment on an individual basis.

Impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

3 Significant accounting policies *(continued)*

(h) Impairment *(continued)*

Non-financial assets

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

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

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

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

(i) Employee benefits

Reserve for employee severance payments

In accordance with the existing social legislation in Turkey, the Company is required to make certain lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of an agreed formula, are subject to certain upper limits and are recognised in the accompanying financial statements as accrued. The reserve has been calculated by estimating the present value of the future obligation of the Company that may arise from the retirement of the employees.

The actuarial gains and losses are recognized in other comprehensive income. However, the company management evaluated the impact of actuarial gain/loss on the current year financial statements and accounted all actuarial gain/losses in the income statement due to the fact that post tax impact is not material.

As at 31 December, the assumptions used in the calculation are as follows:

	2016	**2015**
Net discount rate	3.31%	3.31%
Expected salary / limit increase	5.00%	5.00%
Turnover rate to estimate the probability of retirement	95.22%	95.22%

3 Significant accounting policies *(continued)*

(j) Provisions

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

(k) Offsetting

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

(l) Related parties

For the purpose of accompanying financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and investments are considered and referred to as the related parties.

(m) Interest income and expense

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in profit or loss include interest on financial assets and liabilities at amortised cost on an effective interest rate basis.

(n) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income are recognised in profit or loss as the related services are provided.

Other fees and commission expense are expensed in profit or loss as the services are received.

(o) Dividends

Dividend income is recognised when the right to receive income is established.

(p) Net trading gain or loss

Net trading gain or loss comprises gains less losses related to trading assets and liabilities, and includes all realised and unrealised fair value changes and foreign exchange differences.

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

3 Significant accounting policies *(continued)*

(r) Income tax

Income tax expense comprises current tax and deferred tax. Income tax is recognised in profit and loss, except to the extent that it relates to items recognised directly in equity or, in other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided in respect of temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity.

(s) Events after the reporting period

Events after the reporting period are events that occur between reporting date and the authorisation date for the issuance of the financial statements and may impact the Company positively or negatively. If there is evidence of such events as at reporting date or if such events occur after reporting date and if adjustments are necessary, the Company's financial statements are adjusted according to the new situation. The Company discloses the post-reporting date events that are not adjusting events but material.

(t) New and Revised International Financial Reporting Standards (IFRSs)

i. Amendments to IFRSs affecting amounts reported and/or disclosures in the financial statements

None.

ii. New and revised IFRSs applied with no material effect on the financial statements

IFRS 14	*Regulatory Deferral Accounts* [1]
Amendments to IFRS 11	*Accounting for Acquisition of Interests in Joint Operations* [1]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation* [1]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants* [1]
Amendments to IAS 27	*Equity Method in Separate Financial Statements* [1]
Annual Improvements to 2012-2014 Cycle	*IFRS 5, IFRS 7, IAS 19, IAS 34* [1]
Amendments to IAS 1	*Disclosure Initiative* [1]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception* [1]

[1] Effective for annual periods beginning on or after 1 January 2016.

3 Significant accounting policies *(continued)*

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

ii. New and revised IFRSs applied with no material effect on the financial statements *(continued)*

IFRS 14 *Regulatory Deferral Accounts*

IFRS 14 *Regulatory Deferral Accounts* permits an entity, which is a first-time adopter of International Financial Reporting Standards to continue to account, with some limited changes, for 'regulatory deferral account balances' in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements.

IFRS 14 was issued by the IASB on 30 January 2014 and is applied to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2016.

Amendments to IFRS 11 *Accounting for Acquisition of Interests in Joint Operations*

This amendment requires an acquirer of an interest in a joint operation in which the activity constitutes a business to:

- apply all of the business combinations accounting principles in IFRS 3 and other IFRSs, except for those principles that conflict with the guidance in IFRS 11,
- disclose the information required by IFRS 3 and other IFRSs for business combinations.

Amendments to IAS 16 and IAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

This amendment clarifies that that a depreciation method that is based on revenue that is generated by an activity that includes the use of an asset is not appropriate for property, plant and equipment, and introduces a rebuttable presumption that an amortisation method that is based on the revenue generated by an activity that includes the use of an intangible asset is inappropriate, which can only be overcome in limited circumstances where the intangible asset is expressed as a measure of revenue, or when it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated. The amendment also adds guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

Amendments to IAS 16 and IAS 41 *Agriculture: Bearer Plants*

This amendment include 'bearer plants' within the scope of IAS 16 rather than IAS 41, allowing such assets to be accounted for a property, plant and equipment and measured after initial recognition on a cost or revaluation basis in accordance with IAS 16. The amendment also introduces a definition of 'bearer plants' as a living plant that is used in the production or supply of agricultural produce, is expected to bear produce for more than one period and has a remote likelihood of being sold as agricultural produce, except for incidental scrap sales, and clarifies that produce growing on bearer plants remains within the scope of IAS 41.

3 Significant accounting policies *(continued)*

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

ii. New and revised IFRSs applied with no material effect on the financial statements *(continued)*

Amendments to IAS 27 *Equity Method in Separate Financial Statements*

This amendment permits investments in subsidiaries, joint ventures and associates to be optionally accounted for using the equity method in separate financial statements.

Annual Improvements 2012-2014 Cycle

IFRS 5: Adds specific guidance in IFRS 5 for cases in which an entity reclassifies an asset from held for sale to held for distribution or vice versa and cases in which held-for-distribution accounting is discontinued.

IFRS 7: Additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset, and clarification on offsetting disclosures in condensed interim financial statements.

IAS 19: Clarify that the high quality corporate bonds used in estimating the discount rate for post-employment benefits should be denominated in the same currency as the benefits to be paid.

IAS 34: Clarify the meaning of 'elsewhere in the interim report' and require a cross-reference.

Amendments to IAS 1 *Disclosure Initiative*

This amendment addresses perceived impediments to preparers exercising their judgment in presenting their financial reports.

Amendments to IFRS 10, IFRS 12 and IAS 28 *Investment Entities: Applying the Consolidation Exception*

This amendment addresses issues that have arisen in the context of applying the consolidation exception for investment entities by clarifying the following points:

- The exemption from preparing consolidated financial statements for an intermediate parent entity is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all of its subsidiaries at fair value.
- A subsidiary that provides services related to the parent's investment activities should not be consolidated if the subsidiary itself is an investment entity.
- When applying the equity method to an associate or a joint venture, a non-investment entity investor in an investment entity may retain the fair value measurement applied by the associate or joint venture to its interests in subsidiaries.

An investment entity measuring all of its subsidiaries at fair value provides the disclosures relating to investment entities required by IFRS 12.

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

3 Significant accounting policies *(continued)*

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

iii. New and revised IFRSs in issue but not yet effective

The Company has not applied the following new and revised IFRSs that have been issued but are not yet effective:

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealized Losses* [1]
Amendments to IAS 7	*Disclosure Initiative* [1]
IFRS 9	*Financial Instruments* [2]
IFRS 15	*Revenue from Contracts with Customers* [2]
Amendments to IFRS 15	*Revenue from Contracts with Customers* [2]
Amendments to IFRS 2	*Classification and Measurement of Share-Based Payment Transactions* [2]
IFRS 16	*Leases* [3]
Amendments to IFRS 4	*Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'*
IFRIC 22	*Foreign Currency Transactions and Advance Consideration* [2]
Amendments to IAS 40	*Transfers of Investment Property* [2]
Annual Improvements to IFRS Standards 2014–2016 Cycle	*IFRS 1* [2], *IFRS 12* [1], *IAS 28* [2]

[1] Effective for annual periods beginning on or after 1 January 2017.
[2] Effective for annual periods beginning on or after 1 January 2018.
[3] Effective for annual periods beginning on or after 1 January 2019.

Amendments to IFRS 10 and IAS 28 ***Sale or Contribution of Assets between an Investor and its Associate or Joint Venture***

This amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture.

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

This amendment clarifies the following aspects:

- Unrealized losses on debt instruments measured at fair value and measured at cost for tax purposes give rise to a deductible temporary difference regardless of whether the debt instrument's holder expects to recover the carrying amount of the debt instrument by sale or by use.
- The carrying amount of an asset does not limit the estimation of probable future taxable profits.
- Estimates for future taxable profits exclude tax deductions resulting from the reversal of deductible temporary differences.
- An entity assesses a deferred tax asset in combination with other deferred tax assets. Where tax law restricts the utilization of tax losses, an entity would assess a deferred tax asset in combination with other deferred tax assets of the same type.

3 Significant accounting policies *(continued)*

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

iii. New and revised IFRSs in issue but not yet effective *(continued)*

Amendments to IAS 7 *Disclosure Initiative*

This amendment clarifies that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

IFRS 9 *Financial Instruments*

IFRS 9, issued in November 2009, introduces new requirements for the classification and measurement of financial assets. IFRS 9 is amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of IFRS 9 is issued in July 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income ("FVTOCI") measurement category for certain simple debt instruments.

IFRS 15 *Revenue from Contracts with Customers*

IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers.

The five steps in the model are as follows:

- Identify the contract with the customer,
- Identify the performance obligations in the contract,
- Determine the transaction price,
- Allocate the transaction price to the performance obligations in the contracts,
- Recognise revenue when the entity satisfies a performance obligation.

Amendments to IFRS 15 *Revenue from Contracts with Customers*

This amendment clarifies three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and provides some transition relief for modified contracts and completed contracts.

Amendments to IFRS 2 *Classification and Measurement of Share-Based Payment Transactions*

This amendment clarifies the standard in relation to the accounting for cash-settled share-based payment transactions that include a performance condition, the classification of share-based payment transactions with net settlement features, and the accounting for modifications of share-based payment transactions from cash-settled to equity settled.

IFRS 16 *Leases*

This 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. IFRS 16 supersedes IAS 17 "Leases" and related interpretations and is effective for periods beginning on or after 1 January 2019, with earlier adoption permitted if IFRS 15 'Revenue from Contracts with Customers' has also been applied.

3 Significant accounting policies *(continued)*

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

iii. New and revised IFRSs in issue but not yet effective *(continued)*

Amendments to IFRS 4 ***Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts'***

This amendment provides optional approaches for entities that issue insurance contracts within the scope of IFRS 4, and the entities are permitted to stop applying them before the new insurance standard is applied.

IFRIC 22 ***Foreign Currency Transactions and Advance Consideration***

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

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

The Interpretations Committee came to the following conclusion:

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

Amendments to IAS 40 ***Transfers of Investment Property***

The amendments to IAS 40 Investment Property:

- Amends paragraph 57 to state that an entity shall transfer a property to, or from, investment property when, and only when, there is evidence of a change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property. A change in management's intentions for the use of a property by itself does not constitute evidence of a change in use.
- The list of examples of evidence in paragraph 57(a) – (d) is now presented as a non-exhaustive list of examples instead of the previous exhaustive list.

3 Significant accounting policies *(continued)*

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

iii. New and revised IFRSs in issue but not yet effective *(continued)*

Annual Improvements to IFRS Standards 2014–2016 Cycle

- **IFRS 1:** Deletes the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose.

- **IFRS 12:** Clarifies the scope of the standard by specifying that the disclosure requirements in the standard, except for those in paragraphs B10–B16, apply to an entity's interests listed in paragraph 5 that are classified as held for sale, as held for distribution or as discontinued operations in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

- **IAS 28:** Clarifies that the election to measure at fair value through profit or loss an investment in an associate or a joint venture that is held by an entity that is a venture capital organisation, or other qualifying entity, is available for each investment in an associate or joint venture on an investment-by-investment basis, upon initial recognition.

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

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

4 Determination of fair values

Accounting classification and fair values

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

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price.

The estimated fair values of financial instruments have been determined using available market information by the Company, and where it exists, appropriate valuation methodologies. However, judgment is necessary required to interpret market data to determine the estimated fair value. While management has used available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realised in the current circumstances. Management has estimated that the fair value of certain financial instruments is not materially different than their recorded values due to their short-term nature except for long term factoring receivables and loans and borrowings.

The investments that are classified as available-for-sale which do not have a quoted market price in an active market and other methods of reasonably estimating their market values would be inappropriate; accordingly, they are stated at cost, including the adjustments for the effects of inflation till 31 December 2005, less impairment losses, if any. Other available for sale investments and financial assets at fair value through profit or loss are measured based on quoted market prices at the end of the reporting period.

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

	2016		**2015**	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Cash and cash equivalents	72,114	72,114	9,246	9,246
Investment securities	109,862	109,862	102,918	102,918
Factoring receivables	1,006,038	1,006,038	947,749	947,749
Derivative financial assets	26,767	26,767	22	22
Financial liabilities				
Loans and borrowings	920,550	920,811	694,039	694,870
Securities issued	80,051	80,051	147,724	147,724
Factoring payables	2,040	2,040	3,695	3,695
Derivative financial liabilities	197	197	2,460	2,460

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

4 Determination of fair values *(continued)*

Fair value hierarchy

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

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

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

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

31 December 2016	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment securities available for sale (*)	42,932	-	-	42,932
Derivative financial assets	-	26,767	-	26,767
Total financial assets	**42,932**	**26,767**	**-**	**69,699**
Derivative financial liabilities	-	197	-	197
Total financial liabilities	**-**	**197**	**-**	**197**

31 December 2015	**Level 1**	**Level 2**	**Level 3**	**Total**
Investment securities available for sale (*)	35,988	-	-	35,988
Derivative financial assets	-	22	-	22
Total financial assets	**35,988**	**22**	**-**	**36,010**
Derivative financial liabilities	-	2,460	-	2,460
Total financial liabilities	**-**	**2,460**	**-**	**2,460**

(*) TL 66,930 of investment securities available for sale are accounted for at cost as those are non-quated equity securities and their fair values cannot be reliably measured.

5 Personnel expenses

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

	2016	**2015**
Salary expenses	12,037	12,275
Compulsory social security obligations	1,749	1,589
Premiums and bonuses to employees	1,612	2,977
Health expenses	582	554
Provision/ (reversal) for employee severance payments	443	(1)
Meal expenses	411	417
Severance payment and other personel provision	346	552
Increase / (decrease) in vacation pay provision	30	(26)
Others	414	384
	17,624	**18,721**

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

6 Administrative expenses *(including depreciation and amortisation)*

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

	2016	**2015**
Office rent, contribution, maintanance, cleanning expenses	1,970	1,920
Lawsuit expenses	1,724	680
Traveling, operational lease and other vehicle expenses	1,220	1,391
Consultancy expenses	685	679
Communication expenses	420	366
Taxes, duties, charges and funds	359	303
Depreciation and amortisation expenses	331	247
Advertising expenses	39	61
Notary expenses	11	26
IT expenses	9	34
Other	445	477
	7,213	**6,184**

7 Other expenses

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

	2016	**2015**
Bank charges	321	519
Donations	65	652
Others	1,356	2,708
	1,742	**3,879**

For the year ended 31 December 2016, donations include contributions made to "AÇEV" amounting to TL 4 (31 December 2015: TL 517), to Hüsnü Özyeğin University amounting to TL 39 (31 December 2015: TL 35 TL), and to other various foundations amounting to TL 22 (31 December 2015: TL 100).

8 Taxation

As at 31 December 2016, corporate income tax is levied at the rate of 20% (31 December 2015: 20%) on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes. There is also a withholding tax levied at a certain rate on the dividends paid and is accrued only at the time of such payments. Some of the deduction rates included in the 15th and 30th articles of the Law no. 5520 on the Corporate Tax, was redefined according to the cabinet decision numbered 2006/10731, which was announced at Trade Registry Gazette of 23 July 2006-26237. In this context, withholding tax rate on dividend payments which are made to the companies except those are settled in Turkey or generate income in Turkey via a business or a regular agent was increased to 15% from 10%.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back.

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

8 Taxation *(continued)*

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

75% of gains on disposal of investment in equity securities and properties which were held for at least 2 years within the assets of acquirer entity after acquisition, are exempt from taxation if such gains are added to paid-in capital or kept under equity as restricted funds for at least 5 years.

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

	2016	**2015**
Current tax expense		
Current tax	-	-
	-	**-**
Deferred tax (expense)/credit		
Origination and reversal of temporary differences	(7,001)	(3,099)
	(7,001)	**(3,099)**
Income tax expense	**(7,001)**	**(3,099)**

The reported income tax for the years ended 31 December are different than the amounts computed by applying the statutory tax rate to profit before tax as shown in the following reconciliation:

	2016	**2015**
	Amount	**Amount**
Reported profit before income tax	26,319	13,481
Income tax using the domestic corporation tax rate	(5,264)	(2,696)
Non-deductible expenses (*)	(255)	(403)
Tax exempt income	2	-
Others (**)	(1,484)	-
Total income tax expense	**(7,001)**	**(3,099)**

(*) Non-deductible expenses include donations and special communication tax.

(**) Under the Law No. 6736 Restructuring of Certain Receivables, the company withdrawn the right of tax to be offset that originated from previous year loses by increasing tax base.

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

8 Taxation *(continued)*

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

At 31 December, deferred tax assets and liabilities were attributable to the items detailed in the table below:

At 31 December	2016	2015	2016	2015	2016	2015
	Assets		Liabilities		Net	
Carried forward tax losses	5,978	7,725	-	-	5,978	7,725
Factoring receivables	3,410	3,013	-	-	3,410	3,013
Derivative financial instruments	39	492	5,353	4	(5,314)	488
Employee benefits	399	305	-	-	399	305
Loans and borrowings	-	-	60	91	(60)	(91)
Property and equipments	-	-	24	20	(24)	(20)
Others	78	67	36	55	42	12
	9,904	**11,602**	**5,473**	**170**	**4,431**	**11,432**

As at 31 December 2016 and 2015, there is no unrecognised deferred tax asset and liabilities.

The expiry date of tax loss carry forwards for the years ended 31 December is as follows:

	2016	2015
31 December 2019	24,875	28,596
31 December 2020	5,015	10,030
Total	**29,890**	**38,626**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The movement of deferred assets and (liabilities) for the years ended 31 December are as follows:

	2016	2015
Balance at 1 January	11,432	14,531
Deferred tax credit/(expense) recognised in profit or loss	(7,001)	(3,099)
Balance at 31 December	**4,431**	**11,432**

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

9 Net trading gain / (loss)

For the years ended 31 December, net trading gain comprised the following:

	2016	2015
Net gain/(loss) from derivative financial instruments	23,637	(8,065)
	23,637	**(8,065)**

10 Cash and cash equivalents

As at 31 December, cash and cash equivalents comprised the following:

	2016	2015
Cash at banks		
- demand deposits	13,561	8,228
- time deposits	58,553	1,018
Cash on hand	-	-
Total cash and cash equivalents	**72,114**	**9,246**
Blocked cash	-	(937)
Accrued interest on time deposits	(53)	-
Cash and cash equivalents in the statement of cash flow	**72,061**	**8,309**

As at 31 December 2016 and 2015, cash and cash equivalents include cash balances on hand, demand deposits and time deposits with original maturity periods of less than three month and over-night time deposits.

As at 31 December 2016, TL denominated time deposits amounting to TL 58,500 has an average interest rate of 8.87%. (31 December 2015: US Dollar denominated time deposits amounting to USD 350 has an average interest rate of 0.25%).

11 Factoring receivables and payables

As at 31 December, factoring receivables comprised the following:

	2016	2015
Domestic factoring receivables	995,857	919,834
Export factoring receivables	30,115	43,552
Impaired factoring receivables	48,627	35,373
Factoring receivables, gross	**1,074,599**	**998,759**
Unearned income on factoring transactions	(27,496)	(24,248)
Allowance for impaired factoring receivables	(41,065)	(26,762)
Factoring receivables, net	**998,476**	**939,138**

As at 31 December 2016, factoring receivables amounting to TL 35,250 mature above one year (31 December 2015: TL 41,283).

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

11 Factoring receivables and payables *(continued)*

Movements in the allowance for doubtful receivables for the years ended 31 December were as follows:

	2016	2015
Balance at 1 January	26,762	61,676
Provision, net of recoveries, transfer	14,303	(34,914)
Transfers (*)	*(4,368)*	*(42,340)*
Allowance for the year	*23,213*	*8,759*
Recoveries of amounts previously provided	*(4,542)*	*(1,333)*
Balance at 31 December	**41,065**	**26,762**

(*) As of 31 December 2016, the Company sold its impaired factoring receivables amounting to TL 4,368 having net book value of zero with a sale price of TL 10 to Güven Varlık Yönetimi A.Ş. (31 December 2016: The Company sold its impaired factoring receivables amounting to TL 42,340 having net book value of zero with a sale price of TL 125 to Güven Varlık Yönetimi A.Ş).

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

	2016		2015	
	Gross Amount	**Provision**	**Gross Amount**	**Provision**
Undue	-	-	2,659	231
Overdue 1 to 3 months	140	63	4,422	1,963
Overdue 3 to 6 months	466	109	1,268	799
Overdue 6 to 12 months	5,224	2,841	1,616	1,181
Overdue over 1 year	42,797	38,052	25,408	22,588
Total	**48,627**	**41,065**	**35,373**	**26,762**

Details of the collaterals obtained from customers are presented in Note 22.

Factoring payables

As at 31 December, factoring payables are as follows:

	2016	2015
Domestic factoring payables	1,753	999
Export factoring payables	287	2,696
	2,040	**3,695**

Factoring payables represent the amounts collected on behalf of customers but not yet paid at the end of the reporting period.

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

12 Investment securities

Investments in securities available-for-sale

As at 31 December, the Company holds securities in the following details:

	2016	2015
Debt Securities		
Private bank bonds	42,932	35,480
Private bonds	-	508
Equity Securities		
Non - quoted	66,930	66,930
	109,862	**102,918**

As at 31 December, the Company holds equity securities in the following companies:

	2016		2015	
	Carrying value	% of ownership	Carrying value	% of ownership
Credit Europe Group N.V. ("Credit Europe")	66,190	1.29	66,190	1.29
Fiba Alışveriş Mer. Gel. İnş. ve Paz. Tic. A.Ş.	728	0.16	728	0.16
Kapital Holding A.Ş.	10	-	10	-
Others	2	-	2	-
Total	**66,930**		**66,930**	

The Company's above non-quoted equity shares are accounted at cost since their fair values are not reliably measured.

As at 31 December, contractual maturities of the debt securities in the following details:

	2016	2015
Short Term		
Up to 1 year	-	508
Long Term		
Up to 5 years	17,131	14,373
More than five years	25,801	21,107
	42,932	**35,988**

As of 31 December 2016, interest rates of the foreign debt securities are 8.00 % and 8.50% (31 December 2015: 8.00% and 8.50%), short term TL denominated debt security is none (31 December 2015: short term TL denominated debt security interest rate is 14.20%)

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

13 Property and equipment

Movements in property and equipment for the years ended 31 December were as follows:

	Buildings (*)	Furniture and fixtures	Leasehold improvements	Others(**)	Total
Cost					
Balance at 1 January 2015	2,545	1,022	1,747	1,531	6,845
Additions	206	148	20	-	374
Disposals	-	(59)	-	-	(59)
Balance at 31 December 2015	**2,751**	**1,111**	**1,767**	**1,531**	**7,160**
Balance at 1 January 2016	2,751	1,111	1,767	1,531	7,160
Additions	11	122	175	-	308
Disposals	-	(17)	(22)	-	(39)
Balance at 31 December 2016	**2,762**	**1,216**	**1,920**	**1,531**	**7,429**
Accumulated depreciation					
Balance at 1 January 2015	500	763	1,587	-	2,850
Depreciation for the year	52	95	66	-	213
Disposals	-	(25)	-	-	(25)
Balance at 31 December 2015	**552**	**833**	**1,653**	**-**	**3,038**
Balance at 1 January 2016	552	833	1,653	-	3,038
Depreciation for the year	81	100	78	-	259
Disposals	-	(8)	(12)	-	(20)
Balance at 31 December 2016	**633**	**925**	**1,719**	**-**	**3,277**
Carrying amounts					
At 1 January 2015	2,045	259	160	1,531	3,995
At 31 December 2015	**2,199**	**278**	**114**	**1,531**	**4,122**
At 1 January 2016	2,199	278	114	1,531	4,122
At 31 December 2016	**2,129**	**291**	**201**	**1,531**	**4,152**

(*) As at 31 December 2016, TL 1,945 (31 December 2015: TL 1,995) of net carrying value of building was acquired through finance lease contracts.

(**) Others comprised of collection of paintings which are not amortised.

There is no pledge or liens on property and equipment.

As at 31 December 2016, total insurance coverage on property and equipment amounted to TL 23,103 (31 December 2015: TL 19,376) and TL 40 is paid as insurance premium (31 December 2015: TL 42).

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

14 Intangible assets

Movements in intangible assets for the years ended 31 December were as follows:

	Software
Cost	
Balance at 1 January 2015	664
Additions	134
Balance at 31 December 2015	**798**
Balance at 1 January 2016	**798**
Additions	114
Balance at 31 December 2016	**912**
Accumulated amortisation	
Balance at 1 January 2015	394
Amortisation for the year	34
Balance at 31 December 2015	**428**
Balance at 1 January 2016	**428**
Amortisation for the year	72
Balance at 31 December 2016	**500**
Carrying amounts	
At 1 January 2015	270
At 31 December 2015	**370**
At 1 January 2016	370
At 31 December 2016	**412**

As at 31 December 2016 and 2015, there is no internally generated software.

15 Other assets

As at 31 December, other assets comprised the following:

	2016	2015
Receivables from BMV accruals	3,078	1,917
Prepaid expenses	610	614
Advances given	221	193
Others	75	158
Properties acquired in return of factoring receivables	16,444	16,444
	20,428	**19,326**

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

16 Loans and borrowings

As at 31 December, loans and borrowings comprised the following:

			2016		
	Original amount	**Nominal interest rate (%) (*)**	**TL amount**		
			Up to 1 year	**1 year and over**	**Total loans and borrowings**
TL	549,994	9,30-12,95	549,994	-	549,994
USD	66,227	2,90-4,00	233,064	-	233,064
Euro	37,061	0,50-3,10	137,492	-	137,492
TL			**920,550**	**-**	**920,550**

			2015		
	Original amount	**Nominal interest rate (%) (*)**	**TL amount**		
			Up to 1 year	**1 year and over**	**Total loans and borrowings**
TL	463,287	10,65-14,99	463,287	-	463,287
USD	37,838	2,20-2,95	110,014	-	110,014
Euro	37,997	0,50-2,50	120,738	-	120,738
TL			**694,039**	**-**	**694,039**

(*) These rates represent the range of nominal interest rates of outstanding borrowings with fixed and floating rates as at 31 December 2016 and 2015.

As at 31 December 2016, loans and borrowings amounting are TL 159,000, USD 35,000 and Euro 31,000 secured by Fiba Holding A.Ş. (31 December 2015: TL 262,000, USD 12,000 and Euro 15,000 secured by Fiba Holding A.Ş.).

17 Securities issued

The Company issued one discounted private sector bills on 10 October 2016 with maturity by six months, having TL 82,390 nominal.

Code	**Currency**	**Maturity**	**Interest type**	**Interest rate (*)**	**Nominal value**	**Carrying value**
TRFFBFK41716	TL	6 April 2017	Fixed	11.25%	82,390	80,051
					82,390	**80,051**

(*) Yearly nominal interest rate.

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

17 Securities issued *(continued)*

The Company issued two discounted private sector bills on 21 October 2015 and 12 November 2015, with maturity by six months, having 52,000 TL nominal and 101,600 TL nominal respectively.

Code	Currency	Maturity	Interest type	Interest rate (*)	Nominal value	Carrying value
TRFFBFK41617	TL	15 April 2016	Fixed	12.40%	52,000	50,213
TRFFBFK51616	TL	6 May 2016	Fixed	12.15%	101,600	97,511
					153,600	**147,724**

18 Other liabilities

As at 31 December, other liabilities comprised the following:

	2016	2015
Taxes and duties payable other than on income	1,595	1,527
Payables to suppliers	401	320
Others	453	350
	2,449	**2,197**

19 Derivative financial instruments

The Company uses the currency swap, forward and option derivative instruments. "Currency swaps" are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies. Forward contracts are commitments to either purchase or sell a designated financial instrument, currency, commodity or an index at a specified future date for a specified price and may be settled in cash or another financial asset. Accumulative boosted forward transaction is a type of forward contract in which the transaction occurs every work day throughout the agreed time period based on the conditions of the agreement.

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

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

	31 December 2016		31 December 2015	
	Assets	***Liabilities***	***Assets***	***Liabilities***
Currency swaps	17,427	(96)	-	(249)
Currency forwards	9,340	(101)	22	(2,211)
	26,767	**(197)**	**22**	**(2,460)**

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

20 Employee benefits

As at 31 December, employee benefits comprised the following:

	2016	**2015**
Reserve for employee severance payments	1,276	833
Vacation pay liability	720	690
	1,996	**1,523**

20.1 Reserve for employee severance payments

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay, maximum of TL 4,426.16 (in full TL basis) at 31 December 2016 (31 December 2015: TL 4,092.53 (in full TL basis) per year of employment at the rate of pay applicable at the date of retirement or termination. The principal assumption used in the calculation of the total liability is that the maximum liability for each year of service will increase in line with inflation semi-annually.

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 Employee Benefits stipulates the development of company's liabilities by using actuarial valuation methods under defined benefit plans.

As at and for the years ended 31 December, movements in the reserve for employee severance payments were as follows:

	2016	**2015**
Balance at 1 January	833	834
Interest cost	28	28
Service cost	716	355
Payment during the year	(301)	(384)
Balance at 31 December	**1,276**	**833**

Actuarial differences are recognized in profit or loss.

20.2 Vacation pay liability

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

For the years ended 31 December, movements in the vacation pay liability were as follows:

	2016	**2015**
Balance at 1 January	690	716
(Reversal) / Expense during the year	30	(26)
Balance at 31 December	**720**	**690**

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

21 Equity

21.1 Paid-in capital

At 31 December 2016, the nominal paid-in capital of the Company comprises 81,109,700 shares (31 December 2015: 81,709,700) of TL 1 each. There are no privileged shares of the Company.

For the years ended 31 December, the composition of the authorised and paid-in share capital was as follows:

	31 December 2016		31 December 2015	
	Number of shares	**Share (%)**	**Number of shares**	**Share (%)**
Fiba Holding A.Ş.	46,198	57	46,198	57
Fina Holding A.Ş.	34,912	43	34,912	43
Others	<1	<1	<1	<1
	81,110	**100**	**81,110**	**100**

21.2 Legal reserves

The legal reserves, which are included in retained earnings, are established by annual appropriations amounting to 5% of income disclosed in the Company's statutory accounts until it reaches 20% of paid-in share capital (first legal reserve). Without limit, a further 10% of dividend distributions in excess of 5% of paid-in capital is to be appropriated to increase legal reserves (second legal reserve). The first legal reserve is restricted and is not available for distribution as dividend unless it exceeds 50% of share capital. In the accompanying financial statements, the total of the legal reserves amounted to TL 41,289 as at 31 December 2016 (31 December 2015: legal reserves TL 40,298).

21.3 Retained earnings

75% of gains on disposal of investment in equity securities and properties which were held for at least 2 years within the assets of acquirer entity after acquisition are exempt from taxation if such gains are added to paid-in capital or kept under equity as restricted funds for at least 5 years. As at 31 December 2016, retained earnings balance is comprised of such restricted funds amounting to TL 83,043 (31 December 2015: TL 109,443).

As per the Extraordinary General Assembly Meeting held on 18 April 2016, it was decided to distribute restricted funds at amounting TL 26,400. After the required legal reserve amount has been deducted, the remaining amount has been distributed as dividend at amounting TL 25,927.

22 Financial risk management

The Company has exposure to the following risks during the course of its operations:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk.

The Board of Directors of the Company has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit risk

The Company is subject to credit risk through its factoring operations. Risk Management and Analysis Department is responsible to manage the credit risk. The Company requires a certain amount of collateral in respect of its financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit.

At reporting date, there were no significant concentrations of credit risk on customer basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

22 Financial risk management *(continued)*

Credit risk *(continued)*

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

	Note	**2016**	**2015**
Factoring receivables	*11*	998,476	939,138
Investment securities	*12*	109,862	102,918
Derivative financial assets	*18*	26,767	22
Other assets (*)	*15*	75	158
Cash and cash equivalents	*10*	72,114	9,246
Total		**1,207,294**	**1,051,482**

(*) Non-financial instruments such as, prepaid expenses, assets acquired in return factoring receivables, banking transaction tax and advances given are excluded from other assets.

As at 31 December 2016, factoring receivables include receivables that are past due but not impaired amounting to TL 9,421 (31 December 2015: TL 5,852).

Transactions involving derivatives are mainly with related parties.

The Company establishes an allowance for doubtful receivables that represents its estimate of incurred losses in respect of factoring receivables. This allowance includes the specific loss component that relates to individual customer exposures.

The Company has obtained the following collaterals for its factoring receivables at 31 December:

	2016	**2015**
Customer notes and cheques obtained as collateral	2,623,870	2,156,458
Mortgages	26,575	12,075
Pledges	18,490	18,490
	2,668,935	**2,187,023**

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

22 Financial risk management *(continued)*

Liquidity risk *(continued)*

The Company monitors its liquidity position on a periodic basis, which assists it in monitoring cash flow requirements and optimizing its cash return on investments. Typically, the Company ensures that it has sufficient liquid assets to meet expected operational expenses including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted. To manage liquidity risk arising from financial liabilities, the Company holds liquid assets mainly comprising cash and cash equivalents and investments in debt securities for which there is an active market. These assets can be readily sold to meet liquidity requirements.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements on undiscounted basis.

31 December 2016	Carrying amount	Contractual cash flows	3 months or less	3 to 12 months	1 to 5 years
Non-derivative financial liabilities					
Loans and borrowings	920,550	939,681	529,687	409,994	-
Securities issued	80,051	82,390	-	82,390	-
Factoring payables	2,040	2,040	2,040	-	-
Other liabilities (*)	412	412	412	-	-
Total	**1,003,053**	**1,024,523**	**532,139**	**492,384**	**-**

31 December 2015	Carrying amount	Contractual cash flows	3 months or less	3 to 12 months	1 to 5 years
Non-derivative financial liabilities					
Loans and borrowings	694,039	712,473	421,356	291,117	-
Securities issued	147,724	153,600	-	153,600	-
Factoring payables	3,695	3,695	3,695	-	-
Other liabilities (*)	331	331	331	-	-
Total	**845,789**	**870,099**	**425,382**	**444,717**	**-**

(*) Other liabilities exclude withholding taxes and duties payable.

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

22 Financial risk management *(continued)*

Liquidity risk *(continued)*

The table below shows the notional amounts of derivative instruments analysed by the term to maturity. The notional amount is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

	31 December 2016				
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
Currency swaps:					
Purchases	37,407	-	128,737	-	166,144
Sales	37,533	-	117,542	-	155,075
Forward					
Purchases	967	-	87,131	-	88,098
Sales	1,065	-	82,488	-	83,553
Total of purchases	38,374	-	215,868	-	254,242
Total of sales	38,598	-	200,030	-	238,628
Total of transactions	**76,972**	**-**	**415,898**	**-**	**492,870**

	31 December 2015				
	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
Currency swaps:					
Purchases	31,736	-	-	-	31,736
Sales	32,022	-	-	-	32,022
Forward					
Purchases	341	1,828	31,776	-	33,945
Sales	363	1,841	36,526	-	38,730
Total of purchases	32,077	1,828	31,776	-	65,681
Total of sales	32,385	1,841	36,526	-	70,752
Total of transactions	**64,462**	**3,669**	**68,302**	**-**	**136,433**

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

22 Financial risk management *(continued)*

Market risk

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

Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows of fair values of financial instruments because of a change in market interest rates. All the financial instruments have fixed interest rates except for a portion of factoring receivables and loans and borrowings which have floating interest rate.

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities, the Company is also exposed to basis risk which is the difference in repricing characteristics of the various floating rate indices, such as year-end libor and different types of interest. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Company's business strategies.

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

	31 December 2016				**31 December 2015**			
	USD (%)	**Euro (%)**	**GBP (%)**	**TL (%)**	**USD (%)**	**Euro (%)**	**GBP (%)**	**TL (%)**
Assets								
Cash at banks								
- Time deposits	-	-	-	8.87	0.25	-	-	-
Factoring receivables	8.32	5.80	8.25	16.36	7.51	6.44	8.25	16.54
Investment securities	8.21	-	-	-	8.21	-	-	14.20
Liabilities								
Loans and borrowings	3.57	2.49	-	10.87	2.52	1.91	-	12.89
Securities issued	-	-	-	11.25	-	-	-	12.23

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

22 Financial risk management *(continued)*

Market risk *(continued)*

Interest rate profile

At 31 December, the interest rate profile of the interest-bearing financial instruments was:

	Carrying amount	
	2016	**2015**
Fixed rate instruments		
Factoring receivables	756,383	668,226
Time deposits	58,553	1,018
Investment securities available for sale	42,932	35,988
Factoring payables	(2,040)	(3,695)
Loans and borrowings	(920,550)	(694,039)
Securities issued	(80,051)	(147,724)
Variable rate instruments		
Factoring receivables	242,093	270,912

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 31 December 2015.

	Profit or loss		Equity (*)	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
31 December 2016				
Variable rate instruments	2,421	(2,421)	2,850	(2,850)
	2,421	(2,421)	2,850	(2,850)
31 December 2015				
Variable rate instruments	2,709	(2,709)	3,069	(3,069)
	2,709	(2,709)	3,069	(3,069)

(*) Equity effects includes the profit or loss effect of the related financial instruments.

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

22 Financial risk management *(continued)*
Market risk *(continued)*

Foreign currency risk

The Company is exposed to currency risk through transactions (such as factoring operations and borrowings) in foreign currencies. As the currency in which the Company presents its financial statements is TL, the financial statements are affected by movements in the exchange rates against TL.

At 31 December, the currency risk exposures were as follows (TL equivalents):

	2016			
	USD	**Euro**	**Other**	**TL Total**
Foreign currency monetary assets				
Cash and cash equivalents	1,859	3,769	2,442	8,070
Investment securities available for sale	42,932	-	-	42,932
Factoring receivables	19,114	49,065	82	68,261
Total foreign currency monetary assets	**63,905**	**52,834**	**2,524**	**119,263**
Foreign currency monetary liabilities				
Loans and borrowings	233,065	137,491	-	370,556
Factoring payables	946	287	-	1,233
Other liabilities	-	87	1	88
Total foreign currency monetary liabilities	**234,011**	**137,865**	**1**	**371,877**
Gross exposure	**(170,106)**	**(85,031)**	**2,523**	**(252,614)**
Off balance sheet net notional position	169,273	82,936	-	252,209
Net position	**(833)**	**(2,095)**	**2,523**	**(405)**

	2015			
	USD	**Euro**	**Other**	**TL Total**
Foreign currency monetary assets				
Cash and cash equivalents	2,141	1,883	713	4,737
Investment securities available for sale	35,480	-	-	35,480
Factoring receivables	70,345	58,898	737	129,980
Other assets	2	1	-	3
Total foreign currency monetary assets	**107,968**	**60,782**	**1,450**	**170,200**
Foreign currency monetary liabilities				
Loans and borrowings	110,018	120,734	-	230,752
Factoring payables	782	2,698	-	3,480
Other liabilities	6	51	-	57
Total foreign currency monetary liabilities	**110,806**	**123,483**	**-**	**234,289**
Gross exposure	**(2,838)**	**(62,701)**	**1,450**	**(64,089)**
Off balance sheet net notional position	7,894	51,189	-	59,083
Net position	**5,056**	**(11,512)**	**1,450**	**(5,006)**

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

22 Financial risk management *(continued)*
Market risk *(continued)*

Foreign currency sensitivity analysis

A 10 percent weakening of TL against the foreign currencies at 31 December 2016 would have increased (decreased) equity and profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 31 December 2015.

31 December 2016	Equity	Profit or loss
USD	(83)	(83)
Euro	(210)	(210)
Other	252	252
	(41)	**(41)**

31 December 2015	Equity	Profit or loss
USD	506	506
Euro	(1,151)	(1,151)
Other	145	145
	(500)	**(500)**

A 10 percent strengthening of the TL against the foreign currencies at 31 December 2016 and 2015 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to meet local regulatory requirements. As per the "Leasing, Factoring and Financial Companies Law" No. 6361, published in the Official Gazette dated 13 December 2012, minimum paid-in capital requirement of the Company is TL 20,000. The Company's paid-in capital is above the minimum limits.

As at 31 December 2016 and 2015, ratio of net debt to equity is presented below:

	2016	2015
Total liabilities	1,007,283	851,638
Minus: Cash and cash equivalents	(72,114)	(9,246)
Net debt	935,169	842,392
Total equity	236,921	243,547
Net debt/equity ratio	3.95	3.46

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

23 Commitments and contingencies

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

	2016	2015
Letter of guarantees given to Takasbank	275,000	125,000
Letter of guarantees given to courts	10,465	9,941
	285,465	**134,941**

24 Related party disclosures

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

As at 31 December, the Company had the following balances outstanding from its related parties:

	2016	2015
Cash at banks		
Credit Europe Bank NV – demand	1,255	314
Credit Europe Bank Suisse – demand	40	972
Fibabanka A.Ş. – time	55,052	-
Fibabanka A.Ş. – demand	327	229
	56,674	**1,515**

	31 December 2016		31 December 2015	
	TP	YP	TP	YP
Investment securities available for sale				
-Equity Securities				
Credit Europe Group NV	66,190	-	66,190	-
Fiba Alışveriş Mrk. Gel. İnş. Paz. Ve Tic. A.Ş	728	-	728	-
-Bank Bonds				
Credit Europe Bank NV	-	42,932	-	35,480
Total	**66,918**	**42,932**	**66,918**	**35,480**

	2016	2015
Other Receivables		
Fibabanka A.Ş.	5	14
	5	**14**
Other Payables		
Fiba Holding A.Ş.	31	17
	31	**17**

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

24 Related party disclosures *(continued)*

As at 31 December 2016 and 2015, derivative transactions with related parties with the TL equivalent of the notional amounts are as follows:

Derivative financial instruments – notional amounts	**2016**	
	Purchase	**Sale**
Credit Europe Bank Suisse – currency forwards	-	-
	-	**-**

Derivative financial instruments – notional amounts	**2015**	
	Purchase	**Sale**
Credit Europe Bank Suisse – currency forwards	15,888	18,388
	15,888	**18,388**

	2016	**2015**
Derivative financial instruments – carrying values		
Credit Europe Bank Suisse – currency forwards	-	(1,184)
	-	**(1,184)**

	2016	**2015**
Interest income on cash and cash equivalents		
Fibabanka A.Ş.	58	58
Credit Europe Bank NV	-	2
	58	**60**
Dividend income		
Fiba AVM A.Ş.	9	-
	9	**-**

(Amounts expressed in thousands of Turkish lira ("Thousands of TL") unless otherwise indicated.)

24 Related party disclosures *(continued)*

For the years ended 31 December, the transactions with the related parties are summarised below:

	2016	2015
Other operating income		
Credit Europe Group NV - *Interest gain from available for sale*	3,260	2,751
Credit Europe Bank Suisse - *Trading gain from derivatives*	1,184	770
Credit Europe Bank NV - *Trading gain from derivatives*	-	21,220
Güven Varlık Yönetimi A.Ş. - *Other*	61	125
	4,505	**24,866**
Interest expense on loans and borrowings		
Credit Europe Bank NV	-	26
	-	**26**

	2016	2015
Administrative expenses		
Fiba Holding A.Ş.	108	44
Fibabanka A.Ş.	42	41
Fiba Gayrimenkul Gel. İnş. ve Yat. A.Ş.	8	7
Fina Holding A.Ş.	7	6
	165	**98**
Donations		
Hüsnü Özyeğin Foundation	39	35
AÇEV	4	517
	43	**552**
Other expenses		
Credit Europe Bank Suisse - *Trading gain from derivatives*	1,807	1,814
Fiba Emeklilik ve Hayat A.Ş. - *Other*	23	27
Fibabanka A.Ş. - *Other*	22	10
Florence Nightingale İş Sağlığı ve Güvenliği Hiz. Tic. A.Ş	20	14
Marka Mağazacılık A.Ş. - *Other*	16	4
Credit Europe Bank NV - *Other*	7	227
Credit Europe Bank Suisse - *Other*	1	8
Credit Europe Bank NV - *Trading gain from derivatives*	-	28,418
Anadolu Japan Turizm A.Ş. - *Other*	-	3
	1,896	**30,525**

Total benefit of key management for the year ended 31 December 2016 amounted to TL 1,795 (31 December 2015: TL 3,451).

25 Subsequent events

None.