



İş Faktoring
Anonim Şirketi
Financial Statements
As at and for the year ended
31 December 2015
With Independent Auditors' Report

*(Convenience Translation of Financial Statements and Related
Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1)*

Akis Bağımsız Denetim ve Serbest Muhasebeci
Mali Müşavirlik Anonim Şirketi

27 January 2016

This report contains the "Independent Auditors' Report"
comprising 2 pages and the "Financial Statements and
Notes to the Financial Statements" comprising 51 pages.

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Convenience Translation of the Independent Auditors' Report
Originally Prepared and Issued in Turkish to English

To the Board of Directors of İş Faktoring Anonim Şirketi,

Report on the Financial Statements

We have audited the accompanying statement of financial position of İş Faktoring Anonim Şirketi ("the Company") as at 31 December 2015, and the related statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation which includes "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies" published in the Official Gazette numbered 28861 dated 24 December 2013 and "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies", communiqués, and circulars and, announcements made by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations, 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.

Auditors' Responsibility

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our audit is performed in accordance with the "Regulation on Authorization and Activities of Institutions to Perform Independent Audit in Banks" published on the Official Gazette no. 26333 dated 1 November 2006 and Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements.



The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. However, our object is to set forth the relationship between the financial statements prepared by the Company management and the internal control system to design audit techniques according to conditions, rather than expressing an opinion about effectiveness of the internal control. We believe that our audit provides a reasonable basis for our audit opinion.

We believe that the audit evidence we have obtained during our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of İş Faktoring Anonim Şirketi as at 31 December 2015, and its financial performance and its cash flows for the year then ended in accordance with BRSA Accounting and Reporting Legislation (Note 2)

Report on Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of the Turkish Commercial Code ("TCC") no. 6102; Auditors' Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 27 January 2016.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2015 are not in compliance with TCC and the Company's articles of association in relation to financial reporting.

3) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and requested documents in connection with the audit.

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.

A member of KPMG International Cooperative

Funda Aslanoğlu
Partner

27 January 2016
Istanbul, Turkey



Additional paragraph for convenience translation to English:

As explained in Note 2.1, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2015
(Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

	BALANCE SHEET - ASSETS	Notes	Audited Current Period 31 December 2015			Audited Prior Period 31 December 2014		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	CASH AND CASH EQUIVALENTS AND CENTRAL BANK		-	-	-	-	-	-
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	4	3.986	3	3.989	2	-	2
2.1	Financial Assets Held for Trading		3.825	-	3.825	-	-	-
2.2	Financial Assets Designated at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.3	Derivative Financial Assets Held for Trading		161	3	164	2	-	2
III.	BANKS	5	875	4.741	5.616	1.545	2.724	4.269
IV.	RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	6	12.187	-	12.187	12.095	-	12.095
VI.	FACTORING RECEIVABLES	7	1.612.297	333.480	1.945.777	1.203.168	230.042	1.433.210
6.1	Discounted Factoring Receivables		433.174	-	433.174	469.711	-	469.711
6.1.1	Domestic		444.050	-	444.050	481.987	-	481.987
6.1.2	Foreign		-	-	-	-	-	-
6.1.3	Unearned Income (-)		(10.876)	-	(10.876)	(12.276)	-	(12.276)
6.2	Other Factoring Receivables		1.179.123	333.480	1.512.603	733.457	230.042	963.499
6.2.1	Domestic		1.179.123	-	1.179.123	733.457	-	733.457
6.2.2	Foreign		-	333.480	333.480	-	230.042	230.042
VII.	FINANCING LOANS		-	-	-	-	-	-
7.1	Private Customer Loans		-	-	-	-	-	-
7.2	Credit Cards		-	-	-	-	-	-
7.3	Installment Based Commercial Loans		-	-	-	-	-	-
VIII.	LEASE RECEIVABLES		-	-	-	-	-	-
8.1	Lease Receivables		-	-	-	-	-	-
8.1.1	Finance Lease Receivables		-	-	-	-	-	-
8.1.2	Operational Lease Receivables		-	-	-	-	-	-
8.1.3	Unearned Income (-)		-	-	-	-	-	-
8.2	Leasing Contracts in Progress		-	-	-	-	-	-
8.3	Advances Given for Lease Transactions		-	-	-	-	-	-
IX.	OTHER RECEIVABLES		-	-	-	-	-	-
X.	RECEIVABLES UNDER FOLLOW-UP		5.497	-	5.497	-	-	-
10.1	Factoring Receivables Under Follow-up	7	36.640	-	36.640	24.348	-	24.348
10.2	Financial Loans Under Follow-Up		-	-	-	-	-	-
10.3	Lease Receivables Under Follow-Up		-	-	-	-	-	-
10.4	Specific Provisions (-)		(31.143)	-	(31.143)	(24.348)	-	(24.348)
XI.	DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT PURPOSE		-	-	-	-	-	-
11.1	Fair Value Hedges		-	-	-	-	-	-
11.2	Cash Flow Hedges		-	-	-	-	-	-
11.3	Hedges of Net Investment in Foreign Operations		-	-	-	-	-	-
XII.	INVESTMENTS HELD TO MATURITY (Net)		-	-	-	-	-	-
XIII.	INVESTMENT IN SUBSIDIARIES (Net)		-	-	-	-	-	-
XIV.	INVESTMENT IN ASSOCIATES (Net)		-	-	-	-	-	-
XV.	INVESTMENT IN JOINT VENTURES (Net)		-	-	-	-	-	-
XVI.	TANGIBLE ASSETS (Net)	9	560	-	560	557	-	557
XVII.	INTANGIBLE ASSETS (Net)	10	452	-	452	326	-	326
17.1	Goodwill		-	-	-	-	-	-
17.2	Other Intangibles		452	-	452	326	-	326
XVIII.	PREPAID EXPENSES	12	805	-	805	390	-	390
XIX.	CURRENT TAX ASSETS		-	-	-	-	-	-
XX.	DEFERRED TAX ASSETS	11	2.646	-	2.646	2.758	-	2.758
XXI.	OTHER ASSETS		1.159	68	1.227	984	18	1.002
	SUBTOTAL		1.640.464	338.292	1.978.756	1.221.825	232.784	1.454.609
XXII.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
22.1	Assets Held For Sale		-	-	-	-	-	-
22.2	Assets Of Discontinued Operations		-	-	-	-	-	-
	TOTAL ASSETS		1.640.464	338.292	1.978.756	1.221.825	232.784	1.454.609

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS AT 31 DECEMBER 2015

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

	BALANCE SHEET - LIABILITIES	Notes	Audited Current Period 31 December 2015			Audited Prior Period 31 December 2014		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	4	393	-	393	354	-	354
II.	FUNDS BORROWED	13	1.296.696	292.960	1.589.656	1.069.986	204.265	1.274.251
III.	FACTORING PAYABLES	7	1.498	652	2.150	1.360	53	1.413
IV.	LEASE OBLIGATIONS		-	-	-	-	-	-
4.1	Financial Lease Obligations		-	-	-	-	-	-
4.2	Operational Lease Obligations		-	-	-	-	-	-
4.3	Others		-	-	-	-	-	-
4.4	Deferred Financial Lease Expenses (-)		-	-	-	-	-	-
V.	DEBT SECURITIES ISSUED (Net)	14	281.602	-	281.602	98.367	-	98.367
5.1	Bills		281.602	-	281.602	98.367	-	98.367
5.2	Asset Backed Securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
VI.	OTHER PAYABLES	15	320	164	484	350	21	371
VII.	OTHER LIABILITIES		593	542	1.135	220	236	456
VIII.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT		-	-	-	-	-	-
8.1	Fair Value Hedges		-	-	-	-	-	-
8.2	Cash Flow Hedges		-	-	-	-	-	-
8.3	Hedges of Net Investment in Foreign Operations		-	-	-	-	-	-
IX.	TAXES AND DUTIES PAYABLE	16	1.412	-	1.412	712	-	712
X.	PROVISIONS		1.135	-	1.135	823	-	823
10.1	Restructuring Reserves		-	-	-	-	-	-
10.2	Reserve For Employee Benefits	17	1.135	-	1.135	823	-	823
10.3	Other Provisions		-	-	-	-	-	-
XI.	DEFERRED INCOME		-	-	-	-	-	-
XII.	CURRENT TAX LIABILITIES	18	957	-	957	1.685	-	1.685
XIII.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
XIV.	SUBORDINATED LOANS		-	-	-	-	-	-
	SUBTOTAL		1.584.606	294.318	1.878.924	1.173.857	204.575	1.378.432
XV.	PAYABLES FOR ASSETS HELD FOR SALE AND ASSETS RELATED TO DISCONTINUED OPERATIONS		-	-	-	-	-	-
15.1	Payables Related to the Assets held for Sale		-	-	-	-	-	-
15.2	Payables Related to the Discontinued Operations		-	-	-	-	-	-
XVI.	SHAREHOLDERS' EQUITY		99.832	-	99.832	76.177	-	76.177
16.1	Paid-in Capital	19	63.500	-	63.500	40.000	-	40.000
16.2	Capital Reserves	19	5.277	-	5.277	5.277	-	5.277
16.2.1	Share Premiums		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other Capital Reserves		5.277	-	5.277	5.277	-	5.277
16.3	Accumulated Other Comprehensive Income that will never be Reclassified to Profit or Loss		68	-	68	69	-	69
16.4	Accumulated Other Comprehensive Income that are or may be Reclassified to Profit or Loss		830	-	830	1.341	-	1.341
16.5	Profit Reserves	20	5.990	-	5.990	20.998	-	20.998
16.5.1	Legal Reserves		2.925	-	2.925	2.528	-	2.528
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		3.065	-	3.065	18.470	-	18.470
16.5.4	Other Profit Reserves		-	-	-	-	-	-
16.6	Profit or Loss		24.167	-	24.167	8.492	-	8.492
16.6.1	Prior Periods Profit/Loss		-	-	-	554	-	554
16.6.2	Net Income or Loss for the Current Period		24.167	-	24.167	7.938	-	7.938
	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		1.684.438	294.318	1.978.756	1.250.034	204.575	1.454.609

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2015

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

	STATEMENT OF OFF-BALANCE SHEET ITEMS	Notes	Audited Current Period 31 December 2015			Audited Prior Period 31 December 2014		
			TL	FC	TOTAL	TL	FC	TOTAL
I.	REVOCABLE FACTORING TRANSACTIONS		50.022	14.269	64.291	88.602	11.940	100.542
II.	IRREVOCABLE FACTORING TRANSACTIONS		224.007	10.827	234.834	150.821	15.789	166.610
III.	COLLATERALS RECEIVED	21	15.227.013	6.506.210	21.733.223	12.242.541	4.494.653	16.737.194
IV.	COLLATERALS GIVEN	21	3.135	-	3.135	2.544	-	2.544
V.	COMMITMENTS		14.131	-	14.131	66.638	-	66.638
5.1	Irrevocable Commitments		14.131	-	14.131	66.638	-	66.638
5.2	Revocable Commitments		-	-	-	-	-	-
5.2.1	Lease Commitments		-	-	-	-	-	-
5.2.1.1	Financial Lease Commitments		-	-	-	-	-	-
5.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
5.2.2	Other Revocable Commitments		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL INSTRUMENTS	21	141.227	143.091	284.318	93.782	93.650	187.432
6.1	Derivative Financial Instruments for Risk Management		-	-	-	-	-	-
6.1.1	Fair Value Hedges		-	-	-	-	-	-
6.1.2	Cash Flow Hedges		-	-	-	-	-	-
6.1.3	Net Foreign Investment Hedges		-	-	-	-	-	-
6.2	Trading Derivatives		141.227	143.091	284.318	93.782	93.650	187.432
6.2.1	Forward Foreign Currency Purchases/Sales		-	-	-	-	-	-
6.2.2	Swap Purchases/Sales		141.227	143.091	284.318	93.782	93.650	187.432
6.2.3	Put/Call Options		-	-	-	-	-	-
6.2.4	Futures Purchases/Sales		-	-	-	-	-	-
6.2.5	Others		-	-	-	-	-	-
VII.	ITEMS HELD IN CUSTODY	21	266.719	26.006	292.725	199.797	24.047	223.844
	TOTAL OFF-BALANCE SHEET ITEMS		15.926.254	6.700.403	22.626.657	12.844.725	4.640.079	17.484.804

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 31 DECEMBER 2015

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

	INCOME STATEMENT	Notes	Audited Current Period 1 January- 31 December 2015	Audited Prior Period 1 January- 31 December 2014
I.	OPERATING INCOME	24	134.490	88.732
1.1	FACTORING INCOME		134.490	88.732
1.1.1	Factoring Interest Income		124.855	82.009
1.1.1.1	Discounted		46.447	36.671
1.1.1.2	Other		78.408	45.338
1.1.2	Factoring Commission Income		9.635	6.723
1.1.2.1	Discounted		2.950	2.732
1.1.2.2	Other		6.685	3.991
	INCOME ON FINANCING LOANS		-	-
1.2	Interest Income on Financial Loans		-	-
1.3	Fees and Commission Income on Financial Loans		-	-
	LEASE INCOME		-	-
1.4	Finance Lease Income		-	-
1.5	Operational Lease Income		-	-
1.6	Fees and Commission Income on Lease Operations		-	-
II.	FINANCING EXPENSES	25	(98.185)	(58.742)
2.1	Interest Expense on Funds Borrowed		(81.996)	(54.705)
2.2	Interest Expense on Factoring Payables		-	-
2.3	Interest Expense on Financial Leases		-	-
2.4	Interest Expense on Debt Securities Issued		(14.214)	(2.863)
2.5	Other Interest Expenses		-	-
2.6	Fees and Commission Expenses		(1.975)	(1.174)
III.	GROSS PROFIT / LOSS (I-II)		36.305	29.990
IV.	OPERATING EXPENSES (-)	26	(16.056)	(13.706)
4.1	Personnel Expenses		(10.660)	(7.832)
4.2	Provision Expense for Employee Termination Indemnity		(76)	(76)
4.3	Research and Development Expenses		-	-
4.4	General Administrative Expenses		(5.320)	(5.798)
4.5	Other		-	-
V.	GROSS OPERATING PROFIT / LOSS (III+IV)		20.249	16.284
VI.	OTHER OPERATING INCOME	27	133.315	85.020
6.1	Interest Income on Banks		402	230
6.2	Interest Income on Reverse Repurchase Agreements		-	-
6.3	Interest Income on Securities		75	29
6.3.1	Interest Income on Trading Financial Assets		75	29
6.3.2	Interest Income on Financial Assets Valued at Fair Value Through Profit or Loss		-	-
6.3.3	Interest Income on Financial Assets Available-for-Sale		-	-
6.3.4	Interest Income on Investments Held to Maturity		-	-
6.4	Dividend Income		1.997	1.328
6.5	Trading Account Income		75.092	3.796
6.5.1	Derivatives		75.092	3.796
6.5.2	Others		-	-
6.6	Foreign Exchange Gains		51.352	75.314
6.7	Other		4.397	4.323
VII.	SPECIFIC PROVISIONS FOR NON-PERFORMING RECEIVABLES (-)	28	(6.971)	(11.095)
VIII.	OTHER OPERATING EXPENSES (-)	29	(115.950)	(78.791)
8.1	Impairment in Value of Securities		-	-
8.1.1	Impairment in Value of Financial Assets Designated at Fair Value Through Profit or Loss		-	-
8.1.2	Impairment in Value of Financial Assets Available-for-Sale		-	-
8.1.3	Impairment in Value of Investments Held to Maturity		-	-
8.2	Impairment in Value of Non Current Assets		-	-
8.2.1	Impairment in Value of Tangible Assets		-	-
8.2.2	Impairment in Value of Assets Held for Sale and Assets Related to Discontinued Operations		-	-
8.2.3	Impairment in Value of Goodwill		-	-
8.2.4	Impairment in Value of Other Intangible Assets		-	-
8.2.5	Impairment in Value of Subsidiaries, Associates and Joint-Ventures		-	-
8.3	Trading Account Losses from Financial Derivatives		(83.581)	(4.499)
8.4	Foreign Exchange Losses		(32.369)	(74.292)
8.5	Other		-	-
IX.	OPERATIONAL PROFIT/LOSS, NET (V+...+VIII)		30.643	11.418
X.	INCOME RESULTED FROM MERGERS		-	-
XI.	GAIN/LOSS ON NET MONETARY POSITION		-	-
XII.	PROFIT/LOSS FROM CONTINUING OPERATIONS BEFORE TAXES(IX+X+XI)		30.643	11.418
XIII.	PROVISION FOR TAXES FROM CONTINUING OPERATIONS (±)	30	(6.476)	(3.480)
13.1	Current Tax Charge		(6.364)	(4.712)
13.2	Deferred Tax Charge (-)		(112)	-
13.3	Deferred Tax Credit (+)		-	1.232
XIV.	NET PROFIT/LOSS AFTER TAXES FROM CONTINUING OPERATIONS(XII±XIII)		24.167	7.938
XV.	INCOME FROM DISCONTINUED OPERATIONS		-	-
15.1	Income from Assets Held for Sale		-	-
15.2	Income from Sale of Associates, Subsidiaries and Joint-Ventures		-	-
15.3	Other Income From Discontinued Operations		-	-
XVI.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
16.1	Expense From Assets Held for Sale		-	-
16.2	Expense from Sale of Associates, Subsidiaries and Joint-Ventures		-	-
16.3	Other expense from Discontinued Operations		-	-
XVII.	PROFIT/LOSS BEFORE TAXES ON DISCONTINUED OPERATIONS		-	-
XVIII.	PROVISION FOR TAXES FROM DISCONTINUED OPERATIONS (±)		-	-
18.1	Current Tax Charge		-	-
18.2	Deferred Tax Charge (-)		-	-
18.3	Deferred Tax Credit (+)		-	-
XIX.	NET INCOME/LOSS AFTER TAXES FROM DISCONTINUED OPERATIONS		-	-
XX.	NET PROFIT/LOSS		24.167	7.938
	EARNINGS PER SHARE	30	0,00381	0,00125
	Earnings Per Share from Continuing Operations		0,00381	0,00125
	Earnings Per Share from Discontinued Operations		-	-
	DILUTED EARNINGS PER SHARE	30	0,00381	0,00125
	Earnings Per Share from Continuing Operations		0,00381	0,00125
	Earnings Per Share from Discontinued Operations		-	-

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME	Audited	Audited
	Current Period	Prior Period
	1 January- 31 December 2015	1 January- 31 December 2014
I. NET PROFIT/LOSS	24.167	7.938
II. OTHER COMPREHENSIVE INCOME	(512)	(1.037)
2.1 Items that will never be Reclassified to Profit or Loss	(1)	7
2.1.1 Revaluation of Tangible Assets	-	-
2.1.2 Revaluation of Intangible Assets	-	-
2.1.3 Remeasurement of Reserve for Employee Benefits	(1)	9
2.1.4 Other Comprehensive Income that will never Reclassified to Profit or Loss	-	-
2.1.5 Related Tax	-	(2)
2.1.5.1 Current Tax Benefit/Charge	-	-
2.1.5.2 Deferred Tax Benefit/Charge (-)	-	(2)
2.2 Items that are or may be Reclassified to Profit or Loss	(511)	(1.044)
2.2.1 Foreign Currency Translation Differences	-	-
2.2.2 Assets Held for Sales- Net Change in Fair Value	(511)	(1.044)
2.2.3 Cash Flow Hedges- Effective Portion of Changes in Fair Value	-	-
2.2.4 Net Investment Hedge Income/Losses	-	-
2.2.5 Other Comprehensive Income that are or may be Reclassified to Profit or Loss	-	-
2.2.6 Related Tax	-	-
2.2.6.1 Current Tax Benefit/Charge	-	-
2.2.6.2 Deferred Tax Benefit/Charge (-)	-	-
III. TOTAL COMPREHENSIVE INCOME (I+II)	23.655	6.901

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

CHANGES IN EQUITY	Notes	Paid-in-Capital	Sermaye Yedekleri	Share Premium	Share Cancellati on Profits	Other Capital Reserves	Accumulated other comprehensive income that will never be reclassified to profit or loss			Accumulated other comprehensive income that are or may be reclassified to profit or loss			Profit Reserves	Legal Reserves	Status Reserves	Extraordinary Reserves	Other Profit Reserves	Profit/ Loss	Prior Period Profit/ Loss	Net Current Period Profit/ Loss	Total Equity
							1	2	3	4	5	6									
Prior period (01.01 – 31.12.2014) (Audited)																					
I. Beginning balance (31.12.2013)		40.000	-	-	-	5.277	-	62	-	-	2.385	-	9.239	1.940	-	7.299	-	12.313	554	11.759	69.276
II. Correction Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)		40.000	-	-	-	5.277	-	62	-	-	2.385	-	9.239	1.940	-	7.299	-	12.313	554	11.759	69.276
IV. Total Comprehensive Income		-	-	-	-	-	-	7	-	-	(1.044)	-	-	-	-	-	-	-	-	-	(1.037)
V. Cash Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase from Internal Reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII. Capital Reserves From Inflation Adjustments To Paid-In Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Loans		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increases / Decreases due to Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit for the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7.938	-	7.938	7.938
XII. Profit Distribution		-	-	-	-	-	-	-	-	-	-	-	11.759	588	-	11.171	-	(11.759)	-	(11.759)	-
12.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Transfer to Reserves		-	-	-	-	-	-	-	-	-	-	-	11.759	588	-	11.171	-	(11.759)	-	(11.759)	-
12.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the End of the Period (31.12.2014)		40.000	-	-	-	5.277	-	69	-	-	1.341	-	20.998	2.528	-	18.470	-	8.492	554	7.938	76.177
Current period (01.01 – 31.12.2015) (Audited)																					
I. Beginning balance (31.12.2014)		40.000	-	-	-	5.277	-	69	-	-	1.341	-	20.998	2.528	-	18.470	-	8.492	554	7.938	76.177
II. Correction Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1 Effect of Corrections		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III. Adjusted Beginning Balance (I+II)		40.000	-	-	-	5.277	-	69	-	-	1.341	-	20.998	2.528	-	18.470	-	8.492	554	7.938	76.177
IV. Total Comprehensive Income	17	-	-	-	-	-	-	(1)	-	-	(511)	-	-	-	-	-	-	-	-	-	(512)
V. Cash Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Capital Increase from Internal Reserves	19	23.500	-	-	-	-	-	-	-	-	-	-	(22.946)	-	(22.946)	-	(554)	(554)	-	-	-
VII. Capital Reserves From Inflation Adjustments To Paid-In Capital		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX. Subordinated Loans		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X. Increases / Decreases due to Other Changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI. Profit for the Period		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	24.167	-	24.167	24.167
XII. Profit Distribution		-	-	-	-	-	-	-	-	-	-	-	7.938	397	-	7.541	-	(7.938)	-	(7.938)	-
12.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12.2 Transfer to Reserves		-	-	-	-	-	-	-	-	-	-	-	7.938	397	-	7.541	-	(7.938)	-	(7.938)	-
12.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Balance at the End of the Period (31.12.2015)		63.500	-	-	-	5.277	-	68	-	-	830	-	5.990	2.925	-	3.065	-	24.167	-	24.167	99.832

1. Revaluation increase/decrease of property and equipment,
2. Employee benefits re-measuring income/loss,
3. Other (Other comprehensive income related with equity pick up investment portions and accumulated other comprehensive income components that will not be re-classified to profit/loss)
4. Foreign currency translation differences for foreign operations,
5. Net change in fair value of available-for-sale financial assets,
6. Other (Cash flow hedge income/ (losses), accumulated other comprehensive income components that may re-classified subsequently to profit/loss)

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

		Audited Current Period	Audited Prior Period
	Dipnot	31 December 2015	31 December 2014
A.			
CASH FLOWS FROM OPERATING ACTIVITIES			
1.1		30.044	(14.949)
1.1.1		122.284	57.152
1.1.2		(96.210)	(69.733)
1.1.3		-	-
1.1.4		1.393	733
1.1.5		9.635	6.723
1.1.6		75.092	3.796
1.1.7	7	176	1.311
1.1.8		(10.348)	(7.585)
1.1.9	18	(7.092)	(4.422)
1.1.10		(64.886)	(2.924)
1.2		(212.164)	(86.356)
1.2.1		(522.464)	(483.574)
1.2.2		(8.102)	(1.006)
1.2.3		737	883
1.2.3		-	-
1.2.4		317.327	395.870
1.2.5		-	-
1.2.6		338	1.471
I.		(182.120)	(101.305)
B.			
CASH FLOWS FROM INVESTING ACTIVITIES			
2.1		-	-
2.2		-	-
2.3	9	(490)	(370)
2.4		-	-
2.5		-	-
2.6		-	-
2.7		-	-
2.8		-	-
2.9	10	-	(140)
II.		(490)	(510)
C.			
CASH FLOWS FROM FINANCING ACTIVITIES			
3.1		183.235	95.504
3.2		-	-
3.3		-	-
3.4		-	-
3.5		-	-
3.6		-	-
III.		183.235	95.504
IV.			
Effect of Change in Foreign Exchange Rates on Cash and Cash Equivalents		722	127
V.		1.347	(6.184)
Net Increase/(Decrease) in Cash and Cash Equivalents			
VI.			
Cash and Cash Equivalents at the Beginning of the Year	5	4.269	10.453
VII.			
Cash and Cash Equivalents at the End of the Year	5	5.616	4.269

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2015

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

	Current Year (31 December 2015)	Prior Year (31 December 2014)
I. DISTRIBUTION OF CURRENT YEAR PROFIT (*)		
1.1 PROFIT FOR THE YEAR	30.643	11.418
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)	(6.476)	(3.480)
1.2.1 Corporate Tax (Income Tax)	(6.364)	(4.712)
1.2.2 Withholding Tax	-	-
1.2.3 Other Taxes and Duties (**)	(112)	1.232
A. NET PROFIT FOR THE YEAR (1.1-1.2)	24.167	7.938
1.3 ACCUMULATED LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVES (-)	-	-
1.5 OTHER STATUTORY RESERVES (-)	-	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A-(1.3+1.4+1.5))]	-	-
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To Owners of Ordinary Shares	-	-
1.6.2 To Owners of Privileged Shares	-	-
1.6.3 To Owners of Redeemed Shares	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.7 DIVIDENDS TO PERSONNEL (-)	-	-
1.8 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To Owners of Ordinary Shares	-	-
1.9.2 To Owners of Privileged Shares	-	-
1.9.3 To Owners of Redeemed Shares	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Holders of Profit and Loss Sharing Certificates	-	-
1.10 SECOND LEGAL RESERVES (-)	-	-
1.11 STATUS RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	-
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION FROM RESERVES	-	-
2.1 DISTRIBUTION OF RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.3.1 To Owners of Ordinary Shares	-	-
2.3.2 To Owners of Privileged Shares	-	-
2.3.3 To Owners of Redeemed Shares	-	-
2.3.4 To Profit Sharing Bonds	-	-
2.3.5 To Holders of Profit and Loss Sharing Certificates	-	-
2.4 DIVIDENDS TO PERSONNEL (-)	-	-
2.5 DIVIDENDS TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE	-	-
3.1 TO OWNERS OF ORDINARY SHARES (full TL) (***)	0,00381	0,00125
3.2 TO OWNERS OF ORDINARY SHARES (%)	0,381	0,125
3.3 TO OWNERS OF PRIVILEGED SHARES (full TL)	-	-
3.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-
IV. DIVIDEND PER SHARE	-	-
4.1 TO OWNERS OF ORDINARY SHARES (TL)	-	-
4.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
4.3 TO OWNERS OF PRIVILEGED SHARES (TL)	-	-
4.4 TO OWNERS OF PRIVILEGED SHARES (%)	-	-

(*) As at the report date, the General Assembly Meeting has not been held; therefore, only net profit is presented in the profit distribution table above for 2015.

(**) As per the Banking Regulation and Supervision Agency, income associated with deferred tax assets shall not be considered as cash or internally generated source and accordingly such amounts taking part of net period profit shall not be included in profit distribution and capital increase. The Company has no deferred tax income will not be included in profit distribution as of 31 December 2015 (31 December 2014: TL 1.232 deferred tax income).

(***) Please see Note-31 "Earnings Per Share" for details.

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

İş Faktoring Finansman Hizmetleri A.Ş., was incorporated on 6 July 1993 in Turkey and started its operations in October 1993. Company’s trade name was amended as İş Faktoring A.Ş. (“the Company”) at the Ordinary General Assembly on 27 March 2013. The change in title has been registered in the Trade Registry Gazette dated 16 April 2013 and numbered 1353. The core business of the Company is factoring operations, both domestic and abroad. The Company maintains its operations in accordance with “Finance Lease, Factoring and Financing Companies Law” published on Official Gazette no. 28496 dated 13 December 2012 and “Regulation on Principles for Establishment and Operations of Finance Lease, Factoring and Financing Companies of Banking Regulation and Supervision Agency (“BRSA)”.

The ultimate parent of the Company is Türkiye İş Bankası A.Ş.. The main shareholder of the Company is İş Finansal Kiralama A.Ş. with 78,23% shareholding. Türkiye Sınai Kalkınma Bankası A.Ş. is also shareholder of the Company with 21,75% shareholding.

As at 31 December 2015, the number of employees of the Company is 91 (31 December 2014: 79).

The head office of the Company is located at:

İş Kuleleri, Kule 1 Kat: 10 34330 4. Levent / İstanbul Türkiye

Dividend payable:

As at 31 December 2015, the Company does not have any dividend payable declared by the General Assembly (31 December 2014: None).

Approval of the financial statements:

The financial statements as of 31 December 2015 have been approved by the Board of Directors of the Company and authorized for issue at 27 January 2016. The General Assembly and/or regulatory authorities have the discretion of making changes in the financial statements after their issuance.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of the Presentation

The accompanying financial statements are prepared in accordance with “Communiqué Uniform Chart of Accounts to be implemented by Financial Leasing, Factoring and Financing Companies and its Explanation as well as the Form and Scope of Financial Statements to be announced to Public” published on the Official Gazette no.28861 dated 24 December 2013 promulgated by Banking Regulation and Supervision Agency (“BRSA”), Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”) and the appendices and interpretations promulgated by the Public Oversight Accounting and Auditing Standards Authority (“POA”) and the statements and guidance published by BRSA on accounting and financial reporting principles (together referred to as “Reporting Standards”).

The accompanying financial statements are prepared on the historical cost basis except for the financial instruments recognized at fair value. Historical cost determined by the amount paid for the assets is based on fair value.

Additional Paragraph for Convenience Translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of the Presentation (Continued)

Functional and Reporting Currency

Functional currency of the Company, and the presentation currency for the financial statements is Turkish Lira (“TL”).

Preparation of Financial Statements in Hyperinflationary Periods

The financial statements of the Company have been adjusted for the effects of inflation in accordance with TAS 29 “Financial Reporting in Hyperinflationary Economies” until 31 December 2004. By a circular issued on 28 April 2005, BRSA declared that the application of inflation accounting has been ceased to be applied for the companies operating in Turkey starting from 1 January 2005, since the provisions of hyperinflationary economy do not exist anymore.

Comparative information and correction of prior periods’ financial statements

The accompanying financial statements are presented comparatively to determine the trends in the financial statements of the Company. If the presentation and reclassification of the financial statement items change, the prior year financial statements are reclassified accordingly to conform the current year’s presentation and the restatement is explained in the notes.

Accounting estimates

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about significant accounting estimates used are described in the following notes:

Note 7 – Factoring receivables, non-performing receivables

Note 17 – Employee benefits

Note 21 – Commitments and contingencies

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.2 Change in accounting Estimates and Errors

If the changes in accounting estimates relate to a specific period, they are applied in the period they relate to whereas if the changes are related to future periods, they are applied both in the period the change is made and prospectively in the future periods. There has not been any significant change in the accounting estimates of the Company in the current year.

While the Company making provision of 100% without considering the number of aging days for the doubtful factoring receivables without valuable security deposit, beginning from 1 April 2015, the Company started to make provision according to BRSA requirements, which is the policy of gradual provisioning of the doubtful receivables. The impact of this change to Company’s current year profit is TL 5.497.

Material accounting errors are adjusted retrospectively and prior periods’ financial statements are restated.

2.3 Changes in Standards and Interpretation

The Company applied all of the relevant and required standards and related interpretations as at 31 December 2015.

Certain new standards, amendments to standards and interpretations not yet effective as at 31 December 2015 were not applied in the preparation of these financial statements. These standards and interpretations are as follows:

IFRS 9 – *Financial instruments*

IFRS 9 – As amended in December 2012, the new standard is effective for annual periods beginning on or after 1 January 2018. Phase 1 of this new IFRS 9 introduces new requirements for classifying and measuring financial assets and liabilities. The amendments made to IFRS 9 will mainly affect the classification and measurement of financial assets and measurement of fair value option (FVO) liabilities and requires that the change in fair value of a FVO financial liability attributable to credit risk is presented under other comprehensive income. Early adoption is permitted. The Group is in the process of assessing the impact of the standard on financial position or performance of the Group.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and valuation principles used to prepare the accompanying financial statements are as follows:

a. Revenue

Factoring revenue consists of factoring interest and commission income collected or accrued on advances given to the customers. Commission income is a certain percentage of the total amount of invoices subject to factoring. Factoring interest and commission income is recognised on accruals basis using effective interest methods.

Other interest income is accrued based on the effective interest which equals the estimated cash flows to net carrying value of the related asset. Dividend income from equity share investments is recognized when the shareholders have the right to receive the payment.

All income and expenses are accounted for on accrual basis.

b. Tangible Assets

Tangible assets acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TL units current at the 31 December 2004 less accumulated depreciation and impairment losses, and tangible assets acquired after 31 December 2004 are carried at acquisition cost less accumulated depreciation and impairment losses.

Tangible assets are depreciated over the estimated useful lives of the related assets on a straight-line basis over the cost. The estimated useful lives, residual values and depreciation method are reviewed at each reporting date.

Leasehold improvements are depreciated in straight-line method, over shorter of their useful lives or tenancy.

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

Gains and losses on disposal of an item of tangible assets are determined by comparing the proceeds from disposal with the carrying amount of tangible assets, and are recognized net within other operating income/expense in the statement of profit or loss.

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

<u>Descriptions</u>	<u>Years</u>
Furniture and fixtures	5 years
Leasehold improvements	5 years

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2015

(Amounts are expressed in thousands of Turkish Lira (“TL”) unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Intangible Assets

Intangible assets include computer software and licenses. Intangible assets acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TL units current at the 31 December 2004 less accumulated amortisation and impairment losses and intangible assets acquired after 1 January 2005 are carried at acquisition cost less accumulated amortisation and impairment losses. The estimated useful lives, residual values and amortization method of intangible assets other than goodwill are reviewed at each reporting date. Amortization is charged on a straight-line basis over their estimated useful lives. The intangible assets are comprised of computer software and licenses. The useful lives of intangible assets are 5 years.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their useful lives. Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding five years).

d. Impairment of Non-Financial Assets

The carrying amounts of the Company’s non-financial 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”). Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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.

In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss 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.

e. Borrowing Costs

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

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial Instruments

Financial assets

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

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

Effective interest method

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

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated under this category upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or achieved more relevant accounting measurement. Derivatives are also categorized as held for trading unless they are designated as hedges.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized using effective interest method.

Available for sale financial assets

Quoted equity investments and quoted certain debt securities held by the Company that are traded in an active market are classified as being available-for-sale financial assets and are stated at fair value. The Company also has investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at cost since their value cannot be reliably measured.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial Instruments (Continued)

Available for sale financial assets (Continued)

Gains and losses arising from changes in fair value are recognized in other comprehensive income and presented under the marketable securities revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the marketable securities revaluation reserve is transferred to profit or loss.

Dividends on available-for-sale equity instruments are recognized in the profit or loss when the Company’s right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the exchange rate valid at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss statement are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

Factoring receivables and other receivables

Loans and receivables include factoring receivables and other receivables. Factoring receivables and other receivables are carried at fair value at initial recognition and they are carried at amortized cost subsequent to initial recognition, using the effective interest method.

Factoring transactions are accounted for at carrying amounts in subsequent reporting periods. The Company management believes that carrying amounts of factoring receivables approximate to their fair values since amortization is taken into account at initial recognition.

In accordance with the “Regulation on Accounting Practices and Financial Statements of Financial Leasing Factoring and Financing Companies” published in the Official Gazette dated 24 December 2013 and numbered 28861 and the Communiqué No. 26588 on the “Communiqué on Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables” issued at 20 July 2007 by BRSA, special provision rate allocated for the factoring receivables considering their guarantees are as follows: 20%, at a minimum, for factoring receivables overdue more than 90 days not exceeding 180 days; 50%, at a minimum, for factoring receivables overdue more than 180 days not exceeding 360 days; and 100%, at a minimum, for factoring receivables overdue more than 1 year.

Other receivables that have fixed or determinable payments that are not quoted in an active market are also classified in this category. These receivables are measured at amortized cost using the effective interest method less any impairment.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial Instruments (Continued)

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are subject to impairment testing at each reporting date to determine whether there is any indicator of impairment for financial asset or financial asset group. An entity shall assess at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset. That loss event or events must also have an impact on the estimated future cash flows of the financial asset or group of financial assets. For the financial assets which are measured at amortized cost, the amount of impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by impairment loss directly for all financial assets with the exception of factoring receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Changes in allowance accounts are recognized in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed the amortized cost that would have been impaired.

Increase in fair value of available for sale equity instruments subsequent to impairment is recognized in directly in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments with maturities of three months or less than three months from date of acquisition and that are readily convertible to cash and are subject to an insignificant risk of changes in value.

Financial liabilities

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

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial Instruments (Continued)

Fair Value Through Profit or Loss Financial Liabilities

At fair value through profit or loss are financial liabilities are initially recognized at fair value and are each reporting period revalued at fair value at the balance sheet date. Changes in fair value are recognized in the income statement. Net gains or losses recognized in the income statement incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on effective interest method.

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

g. Derivative financial instruments and hedge accounting

The Company’s activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Company uses derivative financial instruments (primarily foreign currency forward and currency swap contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured at fair value at subsequent reporting dates. Although some of the derivative transactions provide economic hedging, since all necessary conditions for hedge accounting have not been met, the Company classifies these transactions as held for trading and therefore, changes in the fair value of derivative financial instruments are recognized in profit or loss as they arise.

h. Effects of Changes in Exchange Rates

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in TL, which is the functional currency of the Company, and the presentation currency for the financial statements.

The foreign currency exchange rates used by the Company as at 31 December 2015 and 31 December 2014 are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
USD	2,9076	2,3189
EUR	3,1776	2,8207
GBP	4,3007	3,5961
AUD	2,1154	1,8894

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Effects of Changes in Exchange Rates (Continued)

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

i. Earnings Per Share

In Turkey, companies can increase their share capitals by issue of “Bonus Shares” to their shareholders from their retained earnings. In computing earnings per share, such issues of “Bonus Shares” are treated as issued shares. Accordingly, the retrospective effect for those share issues is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

j. Events after the Reporting Period

Events after the reporting period means the events occurred between the reporting date and the authorization date for the announcement of the financial statements. In accordance with TAS 10 “Events After the Reporting Date”; post-balance sheet events that provide additional information about the Company’s position at the reporting dates (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

k. Provisions, Contingent Liabilities and Contingent Assets

In accordance with the TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, a provision is recognized when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Company discloses the related issues in the accompanying notes. 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 if the time value of the money is significant to the provision.

Contingent assets are disclosed in the notes and not recognized unless they are realized.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Leases

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

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

m. Segment Reporting

The Company provides factoring services only in Turkey. Furthermore, there are no business segments whose financial performance are reviewed by the Company’s management separately. Hence, the Company has not disclosed segment reporting.

n. Taxes on Income

Income tax expense or credit comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

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

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. 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 income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, investment incentives, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

o. Employee Benefits / Reserve for Employee Termination Benefits

In accordance with the existing social legislation in Turkey, the Company is required to make certain lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are recognized in the accompanying financial statements as accrued. The computation of the liability is based upon the retirement pay ceiling announced by the government.

In accordance with TAS 19 “Employee Benefits”, the Company calculated the employee severance indemnities incurred due to retirement of its employees by discounting the future liabilities to their present values, by using actuarial method and reflected to the financial statements. The main estimates used are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Discount rate	4,38%	3,30%
Expected rate of salary/limit increase	6,15%	5,00%
Probability of retirement	100%	100%

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the retirement pay ceiling is revised semi annually, the ceiling amount of full TL 3.828,37 effective from 31 December 2015 has been taken into consideration in calculation of provision for employee termination benefits (retirement pay provision) (31 December 2014: full TL 3.438,22).

p. Statement of Cash Flows

In the statement of cash flows, cash flows are reported as classifying according to operating, investing and financing activities.

Cash flows from operating activities reflect cash flows mainly generated from factoring operations of the Company.

Cash flows from investing activities express cash used in investing activities (direct investments and financial investments) and cash flows generated from investing activities of the Company.

Cash flows relating to financing activities express sources of financial activities and payment schedules of the Company.

r. Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are reclassified as dividend payables by netting off from the retained earnings in the period in which they are approved and disclosed.

s. Related Parties

In accordance with TAS 24 “Related Party Disclosures” shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. Related party transactions consist of the transfer of the assets and liabilities between related parties by a price or free of charge.

For the purpose of the accompanying financial statements, shareholders of the Company, the companies controlled by/associated with them, key management and the Board members of the Company are referred to as related parties (Note 8).

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4. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Derivative Financial Liabilities Held For Trading:

Derivative financial instruments are measured at their fair values. Favorable fair value changes of derivative financial instruments are recognized under derivative financial assets held for trading and unfavorable fair value changes of derivative financial instruments are recognized under derivative financial liabilities held for trading.

As at 31 December 2015 and 31 December 2014, details of financial assets held for trading are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Mutual Funds (B Type Liquid Fund)	3.825	-	-	-
	3.825	-	-	-

As at 31 December 2015 and 31 December 2014, details of derivative financial assets held for trading are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Derivative financial assets held for trading	161	3	2	-
	161	3	2	-

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Derivative financial liabilities held for trading	393	-	354	-
	393	-	354	-

5. BANKS

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Demand deposits	875	3.235	1.545	2.724
Time deposits	-	1.506	-	-
	875	4.741	1.545	2.724

As at 31 December 2015, TL 2.690 portion of total foreign currency deposits (31 December 2014: TL 1.468) and TL 648 portion of total TL deposits (31 December 2014: TL 1.464) consist of accounts at the Company’s ultimate shareholder, Türkiye İş Bankası A.Ş.

The reconciliation of carrying value of cash and cash equivalents in the accompanying financial statements and the statement of cash flows is as follows:

	31 December 2015	31 December 2014
Demand deposits	4.110	4.269
Time deposits (Up to 1 month)	1.506	-
Cash and cash equivalents	5.616	4.269

As at 31 December 2015 and 31 December 2014, there is no blockage on cash and cash equivalent.

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6. FINANCIAL ASSETS AVAILABLE FOR SALE

As at 31 December 2015 and 31 December 2014, details of financial assets available for sale are as follows:

Title of the investment	Core business	Incorporation and location	Voting right (%)	Ownership rate (%)		Carrying Amount	
				31 December 2015	31 December 2014	31 December 2015	31 December 2014
<u>Quoted Investments:</u>							
İş Yatırım Menkul Değerler A.Ş.	Investment and Securities Services	İstanbul	2,43	2,43	2,43	9.732	9.287
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Private Equity	İstanbul	0,89	0,89	0,89	1.069	1.467
<u>Unquoted investments:</u>							
Yatırım Finansman Menkul Değerler A.Ş.	Investment and Securities Services	İstanbul	0,06	0,06	0,06	39	39
İş Net Elektronik Bilgi Üretim Dağ Tic. ve İletişim Hiz. A.Ş.	Inf. Comm. and Techn. Services	İstanbul	1,00	1,00	1,00	347	302
Efes Varlık Yönetim A.Ş.	Asset Management	İstanbul	5,00	5,00	5,00	1.000	1.000
TOTAL						12.187	12.095

7. FACTORING RECEIVABLES AND PAYABLES

Factoring receivables:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Domestic factoring receivables	1.614.628	1.207.500
Export and import factoring receivables	329.783	228.314
Factoring interest income accrual	12.242	9.672
Unearned interest income	(10.876)	(12.276)
	<u>1.945.777</u>	<u>1.433.210</u>
Non-performing factoring receivables (*)	36.640	24.348
Allowance for non-performing factoring receivables (*)	(31.143)	(24.348)
	<u>1.951.274</u>	<u>1.433.210</u>

(*) Classified in Receivables under Follow-up in the statement of financial position.

TL 253.445, Euro 70.350, USD 46.309 and GBP 2.061 of factoring receivables have variable rates (31 December 2014: TL 91.587, Euro 58.981, 55.126 USD and GBP 4.631) while TL 1.364.349, Euro 67.573, USD 133.553 and GBP 13.630 of factoring receivables have fixed rates (31 December 2014: TL 1.043.414, Euro 90.433, USD 86.500 and GBP 2.538).

As at 31 December 2015, the average interest rate applicable for the factoring receivables is; 14,95% for TL, 4,58% for USD, 5,60% for Euro and 6,63% for GBP (31 December 2014: 14,84% for TL, 5,57% for USD, 7,88% for Euro and 6,80% for GBP).

The Company has contractual sureties as collateral for factoring receivables.

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7. FACTORING RECEIVABLES AND PAYABLES (Continued)

Factoring receivables (Continued):

The details of the factoring receivables based on types of factoring transactions are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Domestic irrevocable	978.528	683.552
Domestic revocable	639.266	519.615
Foreign revocable	308.744	218.877
Foreign irrevocable	24.736	11.166
	<u>1.951.274</u>	<u>1.433.210</u>

Except for its non-performing receivables for which 100% allowance is provided, however less than 90 days, the Company has overdue factoring receivables of TL 220; the Company does not have overdue factoring receivables as at the reporting date as restructured overdue and doubtful receivables (31 December 2014: TL 1.430).

The aging of non-performing factoring receivables is as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Between 90 – 180 days	4.097	2.308
Between 180 – 360 days	5.057	8.049
Over 360 days	27.486	13.991
	<u>36.640</u>	<u>24.348</u>

The Company has contractual sureties as collateral for the above non-performing factoring receivables.

The movement of allowance for non-performing factoring receivables is as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Allowance at the beginning of the period	(24.348)	(14.564)
Allowance set during the period (Note 28)	(6.971)	(11.095)
Collections (Note 27)	176	1.311
Allowance at the end of the period	<u>(31.143)</u>	<u>(24.348)</u>

Factoring Payables:

As at 31 December 2015 and 31 December 2014, details of factoring payables are as follows:

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Factoring payables	1.498	652	1.360	53
	<u>1.498</u>	<u>652</u>	<u>1.360</u>	<u>53</u>

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8. RELATED PARTIES

	<u>31 December 2015</u>	<u>31 December 2014</u>
<u>Factoring receivables</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	29.600	9.990
Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş.	10.134	3.037
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş.	1.112	-
T.Şişe ve Cam Fabrikaları A.Ş.	-	17
	40.846	13.044

	<u>31 December 2015</u>	<u>31 December 2014</u>
<u>Payables</u>		
Türkiye İş Bankası A.Ş.	183	198
Anadolu Anonim Türk Sigorta Şirketi (Sigorta Primi)	-	5
İş Net Elektronik Bilgi Üretim Dağ Tic. ve İletişim Hiz. A.Ş	1	2
İş Merkezleri Yönetim ve İşletim A.Ş.	2	-
	186	205

	<u>31 December 2015</u>	<u>31 December 2014</u>
<u>Deposits</u>		
Türkiye İş Bankası A.Ş. Demand Deposits	3.338	2.932
İş Bankası AG Demand Deposits	541	-
Türkiye Sınai Kalkınma Bankası A.Ş.	4	-
	3.883	2.932

Borrowings

As at 31 December 2015 and 31 December 2014, details of borrowings from related parties are as follows:

Türkiye İş Bankası A.Ş.

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2015</u>
TL	12,50	11.03.2016	20.153
			20.153

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2014</u>
TL	10,75 – 12,00	02.01.2015	85.153
USD	2,65 - 2,80	12.06.2015 – 24.07.2015	20.301
Euro	2,50 – 2,85	17.06.2015 – 13.07.2015	15.224
			120.678

Türkiye Sınai Kalkınma Bankası A.Ş.

<u>Döviz Cinsi</u>	<u>Faiz Oranı %</u>	<u>Vade</u>	<u>31 December 2015</u>
TL	12,70 – 13,15	05.01.2016 – 14.01.2016	144.169
EURO	1,29	15.03.2017	17.126
USD	1,79	15.03.2017	7.241
			168.536

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8. RELATED PARTIES (Continued)

For the periods ended 31 December 2015 and 31 December 2014, income and expenses from related parties are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
<u>Time deposit interest income</u>		
Türkiye İş Bankası A.Ş. Bahreyn Branch	38	-
Türkiye İş Bankası A.Ş.	1	-
	<u>39</u>	<u>-</u>
	<u>31 December 2015</u>	<u>31 December 2014</u>
<u>Factoring interest income</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	2.296	1.579
Ortopro Tıbbi Aletler San. ve Tic. A.Ş.	914	599
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş.	10	-
	<u>3.220</u>	<u>2.178</u>
	<u>31 December 2015</u>	<u>31 December 2014</u>
<u>Factoring commission income</u>		
Şişecam Dış Tic.A.Ş.	79	102
Ortopro Tıbbi Aletler San. ve Tic. A.Ş.	75	79
	<u>154</u>	<u>181</u>
	<u>31 December 2015</u>	<u>31 December 2014</u>
<u>Dividend income</u>		
İş Yatırım Menkul Değerler A.Ş.	1.143	596
İş Yatırım – capital increase bonus issue	559	594
Efes Varlık Yönetim A.Ş.	100	-
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	90	107
İş Net Elekt.Bilgi Ür.Dağ.Tic.ve İlet.Hiz.A.Ş.	60	30
İş Net - capital increase bonus issue	45	-
Yatırım Finansman Menkul Değerler A.Ş.	-	2
	<u>1.997</u>	<u>1.329</u>
	<u>31 December 2015</u>	<u>31 December 2014</u>
<u>Finance costs</u>		
Türkiye İş Bankası A.Ş.	14.597	4.831
Türkiye Sınai Kalkınma Bankası A.Ş.	2.765	-
İşbank AG	219	251
	<u>17.581</u>	<u>5.082</u>
	<u>31 December 2015</u>	<u>31 December 2014</u>
<u>Commission expenses</u>		
Türkiye İş Bankası A.Ş.	530	228
İş Yatırım Menkul Değerler A.Ş.	493	148
Şişecam Dış Ticaret A.Ş.	60	70
	<u>1.083</u>	<u>446</u>

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8. RELATED PARTIES (Continued)

As of December 31, 2015 amounts related to securities issued by the Company in its portfolio of related parties are as follows:

	<u>31 December 2015</u>		
<u>Debt Securities issued</u>	<u>Amount</u>	<u>Accrual</u>	<u>Total</u>
Anadolu Anonim Türk Sigorta Şirketi	5.479	188	5.667
İş Girişim Sermaye Yatırım Ortaklığı A.Ş.	3.526	103	3.629
İş Yatırım Menkul Değerler A.Ş.	76	2	78
	9.081	293	9.374

	<u>31 December 2014</u>		
<u>Debt Securities issued</u>	<u>Amount</u>	<u>Accrual</u>	<u>Total</u>
İş Girişim Sermaye Yatırım Ortaklığı A.Ş.	955	29	984
İş Yatırım Menkul Değerler A.Ş.	39	1	40
	994	30	1.024

<u>Interest income on securities</u>	<u>31 December 2015</u>	<u>31 December 2014</u>
Türkiye İş Bankası A.Ş. (Mutual Fund Income)	75	29
	75	29

<u>Administrative expenses</u>	<u>31 December 2015</u>	<u>31 December 2014</u>
Anadolu Anonim Türk Sigorta A.Ş.	289	187
Türkiye İş Bankası A.Ş.	266	372
İş Merkezleri Yönetim ve İşletim A.Ş.	149	63
İş Net Elektronik Bilgi Üretim Dağ Tic. ve İletişim Hiz. A.Ş.	75	59
Anadolu Hayat Emeklilik A.Ş.	15	11
	794	692

<u>Rent expenses</u>	<u>31 December 2015</u>	<u>31 December 2014</u>
Türkiye İş Bankası A.Ş.	1.415	1.178
	1.415	1.178

<u>Key management personnel compensation (*)</u>	<u>31 December 2015</u>	<u>31 December 2014</u>
Salaries and other short-term benefits (**)	2.429	2.076
	2.429	2.076

(*) Key management consists of general manager, assistant general managers and members of the board of directors.

(**) Consists of monetary benefits along with vehicle rentals and other associated expenses.

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9. TANGIBLE ASSETS

	Furniture and Fixtures	Leasehold Improvements	Total
<u>Cost</u>			
Opening balance at 1 January 2015	945	165	1.110
Additions	223	22	245
Disposals	(3)	-	(3)
Closing balance at 31 December 2015	1.165	187	1.352
<u>Accumulated depreciation</u>			
Opening balance at 1 January 2015	(521)	(32)	(553)
Depreciation for the year	(203)	(36)	(239)
Disposals	-	-	-
Closing balance at 31 December 2015	(724)	(68)	(792)
Carrying amount at 31 December 2015	441	119	560
	Furniture and Fixtures	Leasehold Improvements	Total
<u>Cost</u>			
Opening balance at 1 January 2014	714	26	740
Additions	231	139	370
Disposals	-	-	-
Closing balance at 31 December 2014	945	165	1.110
<u>Accumulated depreciation</u>			
Opening balance at 1 January 2014	(351)	(11)	(362)
Depreciation for the year	(170)	(21)	(191)
Disposals	-	-	-
Closing balance at 31 December 2014	(521)	(32)	(553)
Carrying amount at 31 December 2014	424	133	557

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10. INTANGIBLE ASSETS

	<u>2015</u>	<u>2014</u>
<u>Cost</u>		
Opening balance at 1 January	581	441
Additions	246	140
Disposals	-	-
Closing balance at the end of the year	<u>827</u>	<u>581</u>
<u>Accumulated amortisation</u>		
Opening balance at 1 January	(255)	(171)
Charge for year	(120)	(84)
Disposals	-	-
Closing balance at the end of the year	<u>(375)</u>	<u>(255)</u>
Carrying amount at the end of the year	<u>452</u>	<u>326</u>

11. DEFERRED TAX ASSETS AND LIABILITIES

As at 31 December 2015 and 31 December 2014, details of deferred tax assets and deferred tax liabilities based on the temporary differences calculated by the prevailing tax rate are as follows:

<u>Temporary differences subject to deferred tax:</u>	<u>2015</u>	<u>2014</u>
Unearned interest income	10.876	12.276
Cash collected commission income and expense	1.131	455
Employee bonus accrual	580	407
Unused vacation	324	237
Reserve for employee benefits	231	179
Valuation differences on derivatives	229	(352)
Allowance for doubtful factoring receivables	111	111
Tax base differences in tangible and intangible assets	(369)	(342)
Other	115	115
	<u>13.228</u>	<u>13.086</u>
<u>Deferred tax assets / (liabilities)</u>	<u>2015</u>	<u>2014</u>
Unearned interest income	2.175	2.455
Cash collected commission income and expense	226	91
Reserve for employee benefits	116	81
Unused vacation	65	47
Employee bonus accrual	46	36
Valuation differences on derivatives	46	71
Allowance for doubtful factoring receivables	22	22
Tax base differences in tangible and intangible assets	(74)	(68)
Other	24	23
Deferred tax assets (net)	<u>2.646</u>	<u>2.758</u>

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11. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

Movements of deferred tax assets movement for the years ended 31 December 2015 and 31 December 2014 are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Opening balance at 1 January	2.758	1.528
Deferred tax benefit / (expense)	(112)	1.232
Other comprehensive income / (expense)	-	(2)
Closing balance	<u>2.646</u>	<u>2.758</u>

Tax rate used in computation of deferred tax assets and liabilities is 20% (31 December 2014: 20%).

12. PREPAID EXPENSES

As at 31 December 2015 and 31 December 2014, details of prepaid expenses are as follows:

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	TL	FC	TL	FC
Commision expenses	394	-	93	-
Subscription fees	242	-	175	-
Insurance expenses	163	-	117	-
Information technology expenses	6	-	5	-
	<u>805</u>	-	<u>390</u>	-

13. FUNDS BORROWED

As at 31 December 2015 and 31 December 2014, details of funds borrowed are as presented:

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	TL	FC	TL	FC
Short-term borrowings	1.296.696	268.593	1.069.986	42.430
Short-term portion of long-term borrowings	-	16.272	-	161.835
Total short-term borrowings	<u>1.296.696</u>	<u>284.865</u>	<u>1.069.986</u>	<u>204.265</u>
Long-term borrowings	-	8.095	-	-
Total long-term borrowings	<u>-</u>	<u>8.095</u>	<u>-</u>	<u>-</u>
Total	<u>1.296.696</u>	<u>292.960</u>	<u>1.069.986</u>	<u>204.265</u>

As at 31 December 2015 and 31 December 2014, details of borrowings based on types of currency are as follows:

<u>Currency</u>	<u>Interest rate</u> %	<u>Original currency</u> amount	<u>31 December 2015</u>
TL	11,80-16,25		1.288.050
USD	1,20-3,00	47.968	139.473
EUR	1,29-2,50	47.371	150.526
GBP	4,50	189	815
Interest accruals	-	-	10.792
Total			<u>1.589.656</u>

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13. FUNDS BORROWED (Continued)

<u>Currency</u>	<u>Interest rate %</u>	<u>Original currency amount</u>	<u>31 December 2014</u>
TL	9,35-12,00	1.063.000	1.063.000
USD	2,55-3,30	41.000	95.075
Euro	1,60-3,75	37.282	105.163
GBP	4,50	596	2.143
Interest accruals	-	-	8.870
Total			1.274.251

As at 31 December 2015 and 31 December 2014, interest rates are presented as compounded.

As at 31 December 2015, fixed interest funds borrowed are TL 1.565.289 and floating interest funds borrowed are TL 24.367. As at 31 December 2014, funds borrowed are fixed interest.

As at 31 December 2015 and 31 December 2014, the details of fixed and variable rate borrowings.

Fair values of the funds borrowed are presented in Note 33.

14. DEBT SECURITIES ISSUED

As at 31 December 2015 and 31 December 2014, the details of debt securities issued are as followed:

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Debt securities issued	281.602	-	98.367	-
	281.602	-	98.367	-

The details of bonds that were issued by the Company are as follows:

<u>ISIN CODE</u>	<u>Date Issued</u>	<u>Nominal Value</u>	<u>Maturity Date</u>	<u>Sales Method</u>	<u>Coupon Period</u>	<u>Compound Interest Rate%</u>
TRFISFA31617	16.09.2015	75.223	15.03.2016	Qualified Investor	Maturity Payment	11.94
TRFISFA41616	14.10.2015	60.997	12.04.2016	Qualified Investor	Maturity Payment	11.71
TRFISFA61614	21.12.2015	157.000	17.06.2016	Qualified Investor	Maturity Payment	11.72

15. OTHER PAYABLES

As at 31 December 2015 and 31 December 2014, details of other payables are as follows:

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Payables to suppliers	320	164	350	21
	320	164	350	21

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16. TAXES AND DUTIES PAYABLE

As at 31 December 2015 and 31 December 2014, details of taxes and duties payables are as follows:

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	TL	FC	TL	FC
Banking and Insurance Transaction Tax payable	1.096	-	468	-
Premiums payable	159	-	111	-
Income tax payable	152	-	129	-
Other taxes and duties payable	5	-	4	-
	1.412	-	712	-

17. EMPLOYEE BENEFITS

As at 31 December 2015 and 31 December 2014, details of reserve for employee benefits are as follows:

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	TL	FC	TL	FC
Employee bonus provision		580		407
Vacation pay liability		324		237
Reserve for employee severance indemnity		231		179
		1.135		823

Under the Turkish Labor Law, the companies are required to pay termination benefits to each employee who has qualified for such amount at the end of its employment contract. Also, employees who are entitled to retirement are required to be paid retirement pay in accordance with the requirements of Act no. 2422 dated 6 March 1981, Act no. 4447 dated 25 August 1999 and the amended Article 60 of the existing Social Insurance Code no. 506. Some transitional provisions related to the pre-retirement service term were excluded from the scope of the Law since the related law was amended on 23 May 2002. As the retirement pay ceiling is revised semi annually, the ceiling amount of TL full 3.828,37 effective from 31 December 2015 has been taken into consideration in calculation of provision for employee termination benefits.

TAS 19 – “Employee Benefits” requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Accordingly, as of 31 December 2014 and 31 December 2014, the following actuarial assumptions are used in the calculation of the total liability:

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	TL	FC	TL	FC
Discount rate		4.38%		3.30%
Inflation rate		6.15%		5%
Probability of retirement		100%		100%

For the periods ended 31 December 2015 and 31 December 2014, movements in retirement pay provision are as follows:

	<u>31 December 2015</u>		<u>31 December 2014</u>	
	TL	FC	TL	FC
Balance at the beginning of the period		179		112
Interest cost		25		52
Service cost		51		24
Payment made during the period		(25)		-
Actuarial difference		1		(9)
Balance at the end of the period		231		179

Actuarial gains or losses are recognized in other comprehensive income.

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17. EMPLOYEE BENEFITS (Continued)

The movements of the vacation pay liability during the periods ended 31 December 2015 and 31 December 2014 are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Balance at the beginning of the period	237	167
Provision set during the period (net)	87	70
Balance at the end of the period	<u>324</u>	<u>237</u>

The movements of the employee bonus provision during the periods ended 31 December 2015 and 31 December 2014 are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Balance at the beginning of the period	407	221
Provision set during the period (net)	580	407
Paid during during the period	(407)	(221)
Balance at the end of the period	<u>580</u>	<u>407</u>

18. CURRENT TAX LIABILITIES

As at 31 December 2015 and 31 December 2014, details of corporate tax provision and prepaid taxes are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Current period corporate tax provision	6.364	4.712
Corporate taxes paid in advance during the year	(5.407)	(3.027)
Corporate tax provision	<u>957</u>	<u>1.685</u>

	<u>31 December 2015</u>	<u>31 December 2014</u>
Corporate tax provision at the beginning of the year	1.685	1.395
Total income tax expense	6.364	4.712
Corporate taxes paid during the year	(7.092)	(4.422)
Corporate tax provision	<u>957</u>	<u>1.685</u>

19. CAPITAL AND RESERVES

As at 31 December 2015, nominal share capital of the Company is TL 63.500 and the share capital of the Company consists of 6.350.000.000 issued shares with TL 0,01 nominal value each. Pursuant to General Assembly held on 23 March 2015, the Company has increased its share capital amounting to TL 23.500, from its “extraordinary reserves” amounting to TL 22.946 and “previous year profit” amounting to TL 554, from TL 40.000 to TL 63.500.

As at 31 December 2015 and 31 December 2014, shareholders and their ownership percentages are as follows:

<u>Shareholders</u>	<u>(%)</u>	<u>31 December 2015</u>	<u>(%)</u>	<u>31 December 2014</u>
İş Finansal Kiralama A.Ş.	78,2311	49.677	78,2311	31.293
Türkiye Sınai Kalkınma Bankası A.Ş.	21,7500	13.811	21,7500	8.698
Trakya Yatırım Holding A.Ş.	0,0063	4	0,0063	3
Camiş Yatırım Holding A.Ş.	0,0063	4	0,0063	3
TSKB Gayrimenkul Değerleme A.Ş.	0,0063	4	0,0063	3
Total	<u>100,0000</u>	<u>63.500</u>	<u>100,0000</u>	<u>40.000</u>

The Company does not have preferred shares.

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19. PAID-IN CAPITAL AND CAPITAL RESERVES (Continued)

Capital Reserves

As at 31 December 2015 and 31 December 2014, details of capital reserves are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Share capital inflation restatement differences	4.064	4.064
Bonus shares obtained from associates, subsidiaries and jointly controlled entities	1.213	1.213
Total	<u>5.277</u>	<u>5.277</u>

Bonus shares obtained from associates, subsidiaries and jointly controlled entities:

Bonus shares obtained from associates, subsidiaries and jointly controlled entities arise as a result of the capital increase of the associates, subsidiaries and jointly controlled entities from their capital reserves that are not stemmed from profit or loss.

Marketable Securities Revaluation Reserve:

Marketable securities revaluation reserve arises as a result of valuation of available for sale financial assets at their fair values. In case of disposing a financial asset valued at fair value, a portion of the revaluation reserve in connection with the disposed asset is immediately recognized in profit or loss. If the revalued financial asset is permanently impaired, a portion of the revaluation fund in connection with the impaired financial asset is also recognized in profit or loss. As at 31 December 2015, the Company has presented TL 830 of difference gained from revaluation between cost and fair value of assets available for sale under equity (31 December 2014: TL 1.341).

Gain/(Loss) on Remeasurement of Defined Benefit Plans

The Company recognizes actuarial gains / losses arising from remeasurement of defined benefit plans in other comprehensive income and other gains / losses arising from remeasurement of defined benefit plans at personnel expense in the statement of profit or loss.

The Company recognizes gains or losses on the reimbursements or settlement of a defined benefit plan when the reimbursements or settlement occurs. The reimbursements or settlement of a defined benefit plan compromises any resulting change in the present value of the defined benefit obligation, any resulting change in the fair value of the plan assets and any related actuarial gains and losses and past service cost had not previously been recognized.

20. PROFIT RESERVES

	<u>31 December 2015</u>	<u>31 December 2014</u>
Legal reserves	2.925	2.528
Extraordinary reserves	3.065	18.470
Total	<u>5.990</u>	<u>20.998</u>

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 20% per annum, until the total reserve reaches 5% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. Legal reserves, if less than 50% of the paid-in capital, can only be used to net-off the losses.

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21. COMMITMENTS AND CONTINGENCIES

As at 31 December 2015 and 31 December 2014, the details of guarantees taken by the Company are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Guarantee and Sureties	12.685.280	5.983.820	10.166.091	4.158.486
Finance Note (*)	2.522.103	521.318	2.063.360	325.607
Intangible Pledge	12.565	-	7.615	200
Letter of Guarantee	7.065	1.072	5.475	9.600
Tangible Pledge	-	-	-	760
	15.227.013	6.506.210	12.242.541	4.494.653

(*) As at 31 December 2015, finance notes in financial position table amounting to TL 2.388.967 are classified from “Items Held in Custody” to “Collaterals Received”.

As at 31 December 2015, TL 3.135 of letters of guarantee are given to courts (31 December 2014: TL 2.544).

As at 31 December 2015, irrevocable commitments are TL 14.131 (31 December 2014: TL 66.638).

As at the reporting date, the Company does not have any guarantees, pledges or mortgages given for the purpose of guaranteeing any third party payables (31 December 2014: None).

As at 31 December 2015, the details of derivative instruments of the Company are as follows:

	31 December 2015	
	FC Amount	TL
Swap Purchase Transactions:		
TL	-	141.227
EUR	320	1.016
		142.243
Swap Sale Transactions:		
USD	34.800	101.184
EUR	1.550	39.879
GBP	235	1.012
		142.075

As at 31 December 2015, the Company has TL 393 loss and TL 164 profit in relation to the fair value changes of derivative transactions designated at through profit or loss (31 December 2014 TL 354 loss and TL 2 profit).

31 December 2015 and 31 December 2014, the details of the Company’s items held in custody are as follows:

	31 December 2015		31 December 2014	
	TL	FC	TL	FC
Cheques	259.220	22.195	183.842	21.965
Notes	7.499	3.811	15.955	2.082
	266.719	26.006	199.797	24.047

22. SEGMENT REPORTING

None.

23. EVENTS AFTER THE REPORTING PERIOD

None.

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24. OPERATING INCOME

For the years ended 31 December 2015 and 31 December 2014, details of operating income are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Interest income from factoring receivables	124.855	82.009
Fee and commission from factoring receivables	9.635	6.723
	<u>134.490</u>	<u>88.732</u>

25. FINANCE COSTS

For the years ended 31 December 2015 and 31 December 2014, details of financing expenses are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Interest Expense	(81.996)	(54.705)
Interest Expense on Debt Securities Issued	(14.214)	(2.863)
Fees and Commission Expenses	(1.975)	(1.174)
	<u>(98.185)</u>	<u>(58.742)</u>

26. OPERATING EXPENSES

For the years ended 31 December 2015 and 31 December 2014, details of operating expenses are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Personnel expenses	(10.573)	(7.762)
Office rent expenses	(1.626)	(1.178)
Consultancy expenses	(790)	(728)
Depreciation and amortisation expenses	(359)	(275)
Vehicle expenses	(325)	(268)
Information technology expenses	(238)	(448)
Attorney – Litigation expenses	(174)	(383)
Vacation Expense	(87)	(70)
Severance pay expense	(76)	(76)
Other administrative expenses	(1.808)	(2.518)
	<u>(16.056)</u>	<u>(13.706)</u>

27. OTHER OPERATING INCOME

For the years ended 31 December 2015 and 31 December 2014, details of other operating income are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Gain on derivative transactions	75.092	3.796
Foreign exchange gains	51.427	75.314
Dividend income	1.997	1.328
Other interest income	402	259
Collections from non-performing receivables	176	1.311
Other	4.221	3.012
	<u>133.315</u>	<u>85.020</u>

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28. SPESIFIC PROVISIONS FOR NON-PERFORMING RECEIVABLES

For the years ended 31 December 2015 and 31 December 2014, details of specific provision for non-performing receivables are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Impairment losses on factoring receivables	(6.971)	(11.095)
	<u>(6.971)</u>	<u>(11.095)</u>

29. OTHER OPERATING EXPENSES

For the years ended 31 December 2015 and 31 December 2014, details of other operating expenses are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Losses from derivative financial transactions	(83.581)	(4.499)
Foreign exchange losses	(32.369)	(74.292)
	<u>(115.950)</u>	<u>(78.791)</u>

30. TAXATION

For the years ended 31 December 2015 and 31 December 2014, details of income tax expense are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Current tax charge	(6.364)	(4.712)
Deferred tax income / (expense)	(112)	1.232
	<u>(6.476)</u>	<u>(3.480)</u>

The reported income tax expenses for the year is different than the amounts computed by applying the statutory tax rate of the Company to profit before income tax of the Company, as shown in the following reconciliation:

	<u>%</u>	<u>2015</u>	<u>%</u>	<u>2014</u>
Net profit for the period		24.167		7.938
Total tax income		6.476		3.480
Profit before tax		30.643		11.418
Income tax using the Company's tax rate	20,00	6.129	20,00	2.283
Non deductible expenses	15,51	4.141	50,56	5.160
Tax exempt income	(12,37)	(3.792)	(36,46)	(3.963)
Total income tax expense	21,13	6.476	34,10	3.480

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30. TAXATION (Continued)

Corporate Tax

The Company is subject to the Turkish corporate taxes. Allowance is made in the accompanying financial statements for the estimated charge based on the Company’s results for the period.

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

As at 31 December 2015, corporate income tax rate is 20% (31 December 2014: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2015 is 20% (2014: 20%). Under the Turkish taxation system, tax losses can be carried forward up to five years. Tax losses can not be carried back to offset profit from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1 April and 25 April of the following year (between 1st and 25th of the following 4. month of the tax year for the tax responsible who have special tax years). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% period between 24 April 2003 and 22 July 2006. This rate was changed to 15% with the cabinet decision numbered 2006/10731 commencing from 22 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Transfer Pricing

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, 18 November 2007 dated, on disguised profit distribution via Transfer Pricing 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.

31. EARNINGS PER SHARE

Earnings per share are calculated by dividing profit or loss by the weighted average number of ordinary shares outstanding during the period. In Turkey, companies can raise their share capital by distributing “bonus shares” to shareholders from retained earnings. In computing earnings per share, such “bonus share” distributions are assessed as issued shares. Accordingly, the retrospective effect for those share distributions is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

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31. EARNINGS PER SHARE (Continued)

Earnings per share calculations were made according to distributable net profit of issued shares divided by the weighted average number.

The weighted average number of shares of the Company and earnings per share for the periods ended 31 December 2015 and 31 December 2014 are as follows:

	<u>1 January- 31 December 2015</u>	<u>1 January- 31 December 2014</u>
Weighted average number of outstanding shares (*)	6.350.000.000	6.350.000.000
Net profit for the period (TL)	24.167	7.938
Basic earnings per share (full Kurus)	0,381	0,125

(*)As at 31 December 2015, the share capital of the Company consists of 6.350.000.000 shares having Kurus 1 nominal price.

	<u>31 December 2015</u>	<u>31 December 2014</u>
Number of shares at beginning of the period	4.000.000.000	4.000.000.000
Capital increase (*)	2.350.000000	-
Number of shares at end of the period	<u>6.350.000.000</u>	<u>4.000.000.000</u>

(*) Capital increase has been made through internal resources and has been used in the calculation of the prior period's earnings per share.

32. OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED TO BE EXPLAINED FOR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None.

33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS

(a) Capital risk management

The Company manages its capital by sustaining its status as a going concern while maximizing the return to stakeholders through the optimization of the debt and the equity balance.

Although there is no change in the capital risk management strategy in 2015, the debt/equity ratio is 5% as at 31 December 2015 (31 December 2014: 6%). As at 31 December 2015 and 31 December 2014, the leverage ratios are as follows:

	<u>31 December 2015</u>	<u>31 December 2014</u>
Funds borrowed	1.589.656	1.274.251
Debt securities issued (Net)	281.602	98.367
Factoring payables	2.150	1.413
Total debt	<u>1.873.408</u>	<u>1.374.031</u>
Banks (-)	(5.616)	(4.269)
Net debt	<u>1.867.792</u>	<u>1.369.762</u>
Total equity	99.832	76.177
Equity / Debt Ratio	5%	6%

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33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(b) Categories of financial instruments

	<u>31 December 2015</u>	<u>31 December 2014</u>
<u>Financial assets:</u>		
Factoring receivables and non-performing		
Factoring receivables	1.951.274	1.433.210
Financial assets available for sale	12.187	12.095
Banks	5.616	4.269
Financial assets at fair value through profit or loss:	3.989	2
- Financial assets held for trading	3.825	-
- Derivative financial assets	164	2
<u>Financial Liabilities:</u>		
Funds borrowed	(1.589.656)	(1.274.251)
Debt securities issued (Net)	(281.602)	(98.367)
Other payables and other liabilities	(1.619)	(827)
Factoring payables	(2.150)	(1.413)
Financial assets at fair value through profit or loss:	(393)	(354)
-Derivative financial liabilities	(393)	(354)
Other payables	(484)	(371)

(c) Financial risk management objectives

The Company management is responsible for coordinating access to domestic and international markets, monitoring and managing the financial risks relating to the operations of the Company. Such risks include market risk (including currency risk, fair value interest rate risk and price risk), liquidity risk and credit risk.

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates (refer to section e), interest rates (refer to section f) and equity prices will affect the Company’s income or the value of its holdings of financial instruments. At the Company level, market risk exposures are measured by sensitivity analysis.

The Company uses derivative instruments to minimize the effects of such risks and it also uses such instruments for hedging. The Company does not enter into or trade any financial instruments (including derivative financial instruments) for speculative purposes.

There has been no change in the Company’s exposure to market risks or the method it uses to manage and measure such risks.

(e) Currency risk management

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Company manages its foreign currency risk arising from its operations and cash flows of financial contracts by monitoring in a timely manner.

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33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(e) Currency risk management (Continued)

As at 31 December 2015 and 31 December 2014, details of foreign currency denominated assets and liabilities are as follows:

31 December 2015	USD 000	EUR 000	GBP 000	AUD 000	TL
Banks	688	806	41	-	4.741
Factoring receivables (*)	82.999	57.801	3.649	2	440.694
Other (**)	17	27	-	-	136
Total assets	83.704	58.634	3.690	2	445.571
Factoring payables	57	137	12	-	652
Other payables	48.381	47.669	190	-	292.960
Funds borrowed (***)	103	120	17	1	759
Total liabilities	48.541	47.926	219	1	294.371
Balance sheet position	35.163	10.708	3.471	1	151.200
Off balance sheet position	34.800	12.230	235	-	141.059
Net foreign currency position	363	(1.522)	3.236	1	10.141

(*) Foreign currency indexed factoring receivables amounting to USD, 21.140 Thousand, Euro 14.397 Thousand (Total: TL 107.214) are presented in TL column in the accompanying financial statements as at 31 December 2015.

(**) Foreign currency indexed other amounting to USD 17 Thousand and Euro 5 Thousand (Total: TL 65 Thousand) are presented in TL column in the accompanying financial statements as at 31 December 2015.

(***) Foreign currency indexed funds borrowed amounting to USD 17 Thousand and 1 Euro Thousand (Total: TL 53 Thousand) are presented in TL column in the accompanying financial statements as at 31 December 2015.

31 December 2014	USD 000	EUR 000	GBP 000	AUD 000	TL
Banks	2.124	600	-	-	2.724
Factoring receivables (*)	141.626	149.415	7.169	-	298.210
Other (**)	29	44	-	-	73
Total assets	143.779	150.059	7.169	-	301.007
Factoring payables	-	53	-	-	53
Funds borrowed (***)	96.105	106.037	2.143	-	204.285
Other payables	139	118	-	-	257
Total liabilities	96.244	106.208	2.143	-	204.595
Balance sheet position	47.535	43.851	5.026	-	96.412
Off balance sheet position	(46.262)	(47.388)	-	-	(93.650)
Net foreign currency position	1.273	(3.537)	5.026	-	2.762

(*) Foreign currency indexed factoring receivables amounting to USD 12.716 Thousand and Euro 13.877 Thousand (Total: TL 230.042) are presented in TL column in the accompanying financial statements as at 31 December 2014.

(**) Foreign currency indexed other amounting to USD 12 Thousand and Euro 11 Thousand (Total: TL 55 Thousand) are presented in TL column in the accompanying financial statements as at 31 December 2015.

(***) Foreign currency indexed funds borrowed amounting to USD 3 Thousand and Euro 4 Thousand (Total: TL 20 Thousand) are presented in T column in the accompanying financial statements as at 31 December 2014.

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33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(e) Currency risk management (Continued)

Foreign currency sensitivity

The Company is mainly exposed to USD and Euro exchange rate risks. The table below indicates the sensitivity of the Company to USD and Euro when there is a 15% of change in such exchange rates. The Company uses 15% of rate change when it reports its foreign currency risk to the top management and this rate represents the top management’s expectation on the exchange rate fluctuations. Sensitivity analysis made in relation to the Company’s exposure to foreign currency at the reporting period is determined based on the fluctuations at the beginning of the fiscal year and the analysis are fixed during the reporting period. Positive amount refers to an increase in the net profit.

	Profit / (Loss)		Equity (*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2015				
15% change of the USD against TL				
1- Net USD asset/liability	15.336	(15.336)	15.336	(15.336)
2- Hedged portion of TL against USD risk (-)	(15.178)	15.178	(15.178)	15.178
3- Net effect of USD (1+ 2)	158	(158)	158	(158)
15% change of the Euro against TL				
4- Net Euro asset/liability	5.104	(5.104)	5.104	(5.104)
5- Hedged portion of TL against Euro risk (-)	(5.829)	5.829	(5.829)	5.829
6- Net effect of Euro (4+5)	(725)	725	(725)	725
15% change of other currencies against TL				
7-Net other currencies asset/liability	2.240	(2.240)	2.240	(2.240)
8-Hedged portion of TL against other currency risk (-)	(152)	152	(152)	152
9-Net effect of other currencies (7+8)	2.088	(2.088)	2.088	(2.088)
TOTAL (3+6+9)	1.521	(1.521)	1.521	(1.521)

(*) Includes profit/loss effect.

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33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(e) Currency risk management (Continued)

Foreign currency sensitivity (Continued)

	Profit / (Loss)		Equity ^(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2014				
15% change of the USD against TL				
1- Net USD asset/liability	16.430	(16.430)	16.430	(16.430)
2- Hedged portion of TL against USD risk (-)	(16.092)	16.092	(16.092)	16.092
3- Net effect of USD (1+ 2)	338	(338)	338	(338)
15% change of the Euro against TL				
4- Net Euro asset/liability	18.498	(18.498)	18.498	(18.498)
5- Hedged portion of TL against Euro risk (-)	(20.050)	20.050	(20.050)	20.050
6- Net effect of Euro (4+5)	(1.552)	1.552	(1.552)	1.552
15% change of other currencies against TL				
7-Net other currencies asset/liability	2.711	(2.711)	2.711	(2.711)
8-Hedged portion of TL against other currency risk (-)	-	-	-	-
9-Net effect of other currencies (7+8)	2.711	(2.711)	2.711	(2.711)
TOTAL (3+6+9)	1.497	(1.497)	1.497	(1.497)

(*) Includes profit/loss effect.

(f) Interest risk management

The Company is exposed to interest rate risk as the Company borrows funds at both fixed and variable rates. Such risk is managed by making a proper classification between fixed and variable rate liabilities.

Interest rate sensitivity

The interest rate sensitivity analysis below is based on the Company’s exposure to interest rate risk at the reporting date and estimated interest rate fluctuations at the beginning of the fiscal year, and is fixed during the reporting period. The Company management makes its sensitivity analysis based on a 100 base point interest rate fluctuation scenario. This rate is also used in reporting to the top management of the Company.

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33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Interest risk management (Continued)

As at 31 December 2015 and 31 December 2014, the interest rate profile of the Company’s interest-bearing financial instruments is as follows:

Interest Position Table		
	31 December 2015	31 December 2014
<i>Fixed rate instruments</i>		
Financial assets:		
Banks	1.506	-
Factoring receivables	1.573.613	1.222.883
Financial liabilities:		
Funds borrowed	1.565.289	1.274.251
Debt securities issued	281.602	98.367
<i>Variable rate instruments</i>		
Funds borrowed	372.164	210.327
Financial assets:		
Factoring receivables	24.367	-

If interest rates were 100 base points higher at the reporting date and all other variables were fixed:

- Interest income from variable rate factoring contracts would increase by TL 3.722 (31 December 2014: TL 2.103).
- Interest expense from variable rate funds borrowed (borrowings) would not change (31 December 2014: did not change).

(g) Other price risks

The Company is exposed to equity share price risks because of equity investments. Equity securities are held especially for strategic purposes rather than trading purposes. These investments are not traded by the Company.

Equity price sensitivity

Sensitivity analysis below is determined based on the equity share price risks exposed as at the reporting date.

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks.

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33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(g) Other price risks (continued)

Equity price sensitivity (continued)

During the reporting period, all other variables are held constant and the data in the valuation method are 15% higher/ (lower):

Traded in the İstanbul stock exchange and shown in the accompanying financial table below are the securities available for sale and shares measured by market values. Due to the fluctuations in the index one can see changes in the fair value of the companies’ equity (excluding tax) being a TL 464 increase / (decrease) (31 December 2014: TL 412).

(h) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company’s exposure to credit risks and credit ratings of its counterparties are monitored periodically. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board of Directors.

Factoring receivables consist of a large number of customers, spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Sectoral allocation of factoring receivables is as follows:

	31 December 2015	31 December 2014
	(%)	(%)
Motor vehicles	24,83	5,86
Machine and equipment	14,20	7,86
Forestry products	9,26	11,84
Energy, gas, water and petroleum resources	7,54	16,48
Construction	7,12	4,96
Metal industry	5,39	7,70
Food and beverages	4,43	2,86
Textiles	4,24	2,53
Chemical, plastic and pharmacy	2,90	2,27
Health	2,73	1,32
Logistic	0,97	2,88
Glass, Cement	0,66	0,12
Tourism	0,14	0,22
Other	15,59	33,10
	100,00	100,00

As at 31 December 2015, approximately 25% of factoring receivables consists of receivables from a risk group amounting to TL 483.868 (As at 31 December 2014, approximately 16% of factoring receivables consists of receivables from a risk group amounting to TL 208.410). The Company is exposed to a concentration risk because of higher proportion of receivables from that risk group.

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33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(h) Credit risk management (Continued)

As at 31 December 2015, exposure to credit risk based on categories of financial instruments is as follows:

31 December 2015	<u>Factoring Receivables</u>			Financial assets at fair value through profit or loss
	Related party	Other	Cash at banks	
Exposure to maximum credit risk as at reporting date (*)	40.846	1.904.711	5.616	3.989
- The portion of maximum risk covered by guarantee	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	40.846	1.904.491	5.616	3.989
- The portion covered by guarantee	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	220	-	-
- The portion covered by guarantee	-	-	-	-
D. Net carrying value of impaired assets	-	5.497	-	-
- Overdue (gross carrying value)	-	36.640	-	-
- Impairment (-)	-	(31.143)	-	-
- Covered portion of net carrying value (with letter of guarantee etc) (**)	-	-	-	-
- Not past due (gross carrying value)	-	-	-	-
- Impairment (-)	-	-	-	-
- Covered portion of net carrying value (with letter of guarantee etc) (**)	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-

(*) Credit enhancing items such as; guarantees received, are not taken into account in the calculation.

(**) Includes collaterals for the assets impaired but not overdue.

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33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(h) Credit risk management (Continued)

As at 31 December 2014, details of exposure to credit risk based on categories of financial instruments are as follows:

31 December 2014	<u>Factoring Receivables</u>			Financial assets at fair value through profit or loss
	Related party	Other	Cash at banks	
Exposure to maximum credit risk as at reporting date (*)	13.044	1.421.508	4.269	2
- The portion of maximum risk covered by guarantee	-	-	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	13.044	1.418.735	4.269	2
- The portion covered by guarantee	-	-	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	-	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	1.430	-	-
- The portion covered by guarantee	-	-	-	-
D. Net carrying value of impaired assets	-	-	-	-
- Overdue (gross carrying value)	-	24.348	-	-
- Impairment (-)	-	(24.348)	-	-
- Covered portion of net carrying value (with letter of guarantee etc) (**)	-	-	-	-
- Not past due (gross carrying value)	-	-	-	-
- Impairment (-)	-	-	-	-
- Covered portion of net carrying value (with letter of guarantee etc) (**)	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-

(*) Credit enhancing items such as; guarantees received, are not taken into account in the calculation.

(**) Includes collaterals for the assets impaired but not overdue.

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33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Liquidity risk management

The Company management has built an appropriate liquidity risk management framework for the management of the Company’s short, medium and long term funding and liquidity management requirements. The Company manages its liquidity risk by maintaining adequate reserves and reserve borrowing facilities by constantly monitoring forecasts and actual cash flows and matching the maturity profile of financial assets and liabilities.

Liquidity risk table

The following table details the Company’s expected maturity for its non-derivative financial assets and liabilities. The tables below have been prepared based on the earliest dates for collections and disbursements of the Company’s assets and liabilities. Interest amounts to be collected and disbursed on the Company’s assets and liabilities have also been included in the table below:

31 December 2015

<u>Contractual Maturities</u>	<u>Carrying Amount</u>	<u>Contractual Cash Flows (I+II+III+IV)</u>	<u>Less than 3 Months (I)</u>	<u>3-12 Months (II)</u>	<u>1-5 Years (III)</u>	<u>More than 5 Years (IV)</u>
Non-derivative financial assets						
Banks	5.616	5.616	5.616	-	-	-
Factoring receivables	1.945.777	1.981.127	1.396.652	560.255	24.220	-
	1.951.393	1.986.743	1.402.268	560.255	24.220	-
Non-derivative financial liabilities						
Factoring payables	2.150	2.150	2.150	-	-	-
Funds borrowed	1.589.656	1.596.845	1.340.113	231.916	24.816	-
Debt securities issued	281.602	293.220	75.223	217.997	-	-
	1.873.408	1.892.215	1.417.486	449.913	24.816	-

The Company makes payments based on contractual maturities.

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33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Liquidity risk management (Continued)

31 December 2014

<u>Contractual Maturities</u>	<u>Carrying Amount</u>	<u>Contractual Cash Flows (I+II+III+IV)</u>	<u>Less than 3 Months (I)</u>	<u>3-12 Months (II)</u>	<u>1-5 Years (III)</u>	<u>More than 5 Years (IV)</u>
Non-derivative financial assets						
Banks	4.269	4.269	4.269	-	-	-
Factoring receivables	1.433.210	1.461.827	1.048.661	407.146	6.020	-
	1.437.479	1.466.096	1.052.930	407.146	6.020	-
Non-derivative financial liabilities						
Factoring payables	1.413	1.413	1.413	-	-	-
Funds borrowed	1.274.251	1.280.512	1.116.512	164.000	-	-
Debt securities issued	98.367	100.000	100.000	-	-	-
	1.374.031	1.381.925	1.217.925	164.000	-	-

The Company makes payments based on contractual maturities.

The following table details the maturities of derivative financial assets and liabilities as at 31 December 2015 and 31 December 2014.

31 December 2015

<u>Contractual Maturities</u>	<u>Net Cash Outflow</u>	<u>Contractual Cash Flows (I+II+III+IV)</u>	<u>Less than 3 Months (I)</u>	<u>3-12 Months (II)</u>	<u>1-5 Years (III)</u>	<u>More than 5 Years (IV)</u>
Derivative cash inflows	142.075	142.243	142.243	-	-	-
Derivative cash outflows	142.038	142.075	142.075	-	-	-

31 December 2014

<u>Contractual Maturities</u>	<u>Net Cash Outflow</u>	<u>Contractual Cash Flows (I+II+III+IV)</u>	<u>Less than 3 Months (I)</u>	<u>3-12 Months (II)</u>	<u>1-5 Years (III)</u>	<u>More than 5 Years (IV)</u>
Derivative cash inflows	93.650	93.782	93.782	-	-	-
Derivative cash outflows	93.684	93.650	93.650	-	-	-

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33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(j) Fair value of financial instruments

The Company management estimates that the carrying amount of the financial assets and liabilities approximate to their fair value.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange. The financial assets and liabilities, such as factoring receivables, cash at banks and short-term bank borrowings in TL which are recognized by discounted amount of estimated future cash flows, are considered to approximate their respective carrying values due to their short-term nature. The fair value prices of debt securities issued are determined on the basis of their prices in the market they are traded. The fair value level of debt securities issued is level 1, whereas level of fair value of other financial instruments is Level 2.

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33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(j) Fair value of financial instruments (Continued)

The table below refers to the comparison of carrying amounts and fair values of financial instruments which are carried at other than their fair value in the financial statements.

31 December 2015	Financial assets and liabilities held for trading	Financial assets at amortized cost	Loans and receivables	Financial liabilities at amortised cost	Carrying amount	Fair value	Note
<u>Financial Assets</u>							
Banks	-	5.616	-	-	5.616	5.616	5
Financial assets at fair value through profit or loss	-	-	-	-	-	-	4
- Financial assets held for trading	3.825	-	-	-	3.825	3.825	4
- Derivative financial assets held for trading	164	-	-	-	164	164	4
Factoring receivables and non-performing factoring receivables	-	-	1.951.274	-	1.951.274	1.951.274	7
<u>Financial liabilities</u>							
Derivative financial liabilities held for trading	393	-	-	-	393	393	4
Factoring payables	-	-	-	2.150	2.150	2.150	7
Other payables	-	-	-	484	484	484	15
Funds borrowed	-	-	-	1.589.656	1.589.656	1.589.656	13
Debt securities issued	-	-	-	281.652	281.652	279.330	14
31 December 2014	Financial assets and liabilities held for trading	Financial assets at amortized cost	Loans and receivables	Financial liabilities at amortised cost	Carrying amount	Fair value	Note
<u>Financial Assets</u>							
Banks	-	4.269	-	-	4.269	4.269	5
Financial assets at fair value through profit or loss	-	-	-	-	-	-	4
- Financial assets held for trading	-	-	-	-	-	-	4
- Derivative financial assets held for trading	2	-	-	-	2	2	4
Factoring receivables and non-performing factoring receivables	-	-	1.433.210	-	1.413.210	1.413.210	7
<u>Financial liabilities</u>							
Derivative financial liabilities held for trading	354	-	-	-	354	354	4
Factoring payables	-	-	-	1.413	1.413	1.413	7
Other payables	-	-	-	371	371	371	15
Funds borrowed	-	-	-	1.274.251	1.274.251	1.274.251	13
Debt securities issued	-	-	-	98.367	98.367	97.867	14

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33. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) 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 2015	Level 1	Level 2	Level 3	Total
Financial assets held for trading	3.825	-	-	3.825
Derivative financial assets held for trading	-	164	-	164
Available-for-sale financial assets (*)	10.801	-	-	10.801
Total financial assets carried at fair value	14.626	164	-	14.790
Derivative financial liabilities held for trading	-	393	-	393
Total financial liabilities carried at fair value	-	393	-	393

31 December 2014	Level 1	Level 2	Level 3	Total
Derivative financial assets held for trading	-	2	-	2
Available-for-sale financial assets (*)	10.754	-	-	10.754
Total financial assets carried at fair value	10.754	2	-	10.756
Derivative financial liabilities held for trading	-	354	-	354
Total financial liabilities carried at fair value	-	354	-	354

(*) As at 31 December 2015, securities that are not publicly traded amounting to TL 1.386 (31 December 2014: TL 1.341) have been measured at cost.