

İř Faktoring

Anonim Őirketi

Financial Statements

As at and for the year ended

31 December 2020

With Independent Auditors' Report

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

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

Independent Auditor's Report

To the Shareholders of İş Faktoring A.Ş.

Report on the audit of the Financial Statements

Opinion

We have audited the accompanying unconsolidated statement of financial position of İş Faktoring A.Ş. ("the Company"), which comprise the unconsolidated statement of balance sheet as at December 31, 2020 and the unconsolidated statement of profit or loss, the unconsolidated statement of profit or loss and other comprehensive income, unconsolidated statement of changes in shareholders' equity and unconsolidated statement of cash flows for the year then ended, and notes to the unconsolidated financial statements, including a summary of significant accounting policies.

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

Basis for opinion

We conducted our audit in accordance with Independent Auditing Standards (InAS) which are part of the Turkish Auditing Standards as issued by the Public Oversight Accounting and Auditing Standards Authority of Turkey (POA). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Unconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics for Independent Auditors (Code of Ethics) as issued by the POA, and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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



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Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment of financial assets into financial statements and related important explanations</i></p>	
<p>As presented in disclosure 7, we considered provision for depreciation of financial assets as a key audit matter due to:</p> <ul style="list-style-type: none"> - Financial assets that are subject to expected credit loss calculation is material for the unconsolidated financial statements - The policies that is established by the Company management to calculate the expected credit losses has the legislation and other required risks - The new, important and complex judgments and estimations in the calculation of expected credit losses 	<ul style="list-style-type: none"> - Evaluating the appropriateness of accounting policies and global and local requirements - Evaluating the reasonableness of management's key estimates and judgements in expected credit loss calculations, including selection of methods, models, assumptions and data sources and evaluating the appropriateness of accounting policies, our business understanding and industry practice - Involving Financial risk management specialists to challenge significant assumptions / judgements relating to credit risk grading, significant increase in credit risk, definition of default, probability of default, macro-economic variables, and recovery rates - Evaluating the impact of Covid-19 outbreak on staging of loans and macroeconomic parameters used in expected credit losses calculation together with forward-looking estimates and significant assumptions - Assessing the completeness, accuracy and relevance of the data used for the calculation of expected credit loss - Testing mathematical accuracy of Expected credit loss by using samples. - Evaluating the reasonableness and the accuracy of post-model adjustments.

Responsibilities of management and those charged with governance for the unconsolidated financial statements

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

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

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



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Auditor's responsibilities for the audit of the unconsolidated financial statements

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

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

- Identify and assess the risks of material misstatement of the unconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the unconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the unconsolidated financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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



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Reports on independent auditor's responsibilities arising from other regulatory requirements

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

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

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

As explained in detail in Note 2.1, the effects of differences between accounting principles and standards set out by regulations in conformity with BRSA Accounting and Financial Reporting Legislation, accounting principles generally accepted in countries in which the accompanying unconsolidated financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying unconsolidated financial statements. Accordingly, the accompanying unconsolidated financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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



Yaşar Bivas, SMMM
Partner

January 28, 2021
İstanbul, Turkey

İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF FINANCIAL POSITION

(BALANCE SHEET) AS AT 31 DECEMBER 2020

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

ASSETS	Notes	Audited			Audited		
		Current Period			Prior Period		
		31 December 2020			31 December 2019		
		TL	FC	Total	TL	FC	Total
I. CASH,CASH EQUIVALENTS and CENTRAL BANK	4	13.980	8.389	22.369	997	6.879	7.876
II. EXPLANATIONS ON POST-BALANCE SHEET ISSUES	5	1.684	-	1.684	-	-	-
III. DERIVATIVE FINANCIAL ASSETS	6	5.736	-	5.736	146	-	146
IV. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Net)	7	164.904	-	164.904	44.799	-	44.799
V. FINANCIAL ASSETS MEASURED AT AMORTISED COST (Net)	8	3.273.540	1.146.260	4.419.800	2.570.506	608.217	3.178.723
5.1 Factoring Receivables		3.258.710	1.158.430	4.417.140	2.545.266	614.482	3.159.748
5.1.1 Discounted Factoring Receivables (Net)		1.126.688	415.468	1.542.156	623.702	141.297	764.999
5.1.2 Other Factoring Receivables		2.132.022	742.962	2.874.984	1.921.564	473.185	2.394.749
5.2 Finance Loans		-	-	-	-	-	-
5.2.1 Consumer Loans		-	-	-	-	-	-
5.2.2 Credit Cards		-	-	-	-	-	-
5.2.3 Commercial Installment Loans		-	-	-	-	-	-
5.3 Lease Receivables(Net)		-	-	-	-	-	-
5.3.1 Financial Lease Receivables		-	-	-	-	-	-
5.3.2 Operating Lease Receivables		-	-	-	-	-	-
5.3.3 Unearned Income (-)		-	-	-	-	-	-
5.4 Other Financial Assets Measured at Amortised Cost		-	-	-	-	-	-
5.5 Non-performing factoring receivables	8	227.049	-	227.049	227.541	-	227.541
5.6 Expected Credit Losses/Specific Provisions (-)	8	(212.219)	(12.170)	(224.389)	(202.301)	(6.265)	(208.566)
VI. INVESTMENTS		-	-	-	-	-	-
6.1 Investments in Associates (Net)		-	-	-	-	-	-
6.2 Subsidiaries (Net)		-	-	-	-	-	-
6.3 Joint Ventures (Net)		-	-	-	-	-	-
VII. TANGIBLE ASSETS (Net)	10	2.135	-	2.135	1.328	-	1.328
VIII. INTANGIBLE ASSETS (Net)	11	869	-	869	1.081	-	1.081
IX. INVESTMENT PROPERTY (Net)		-	-	-	-	-	-
X. CURRENT TAX ASSETS	12	-	-	-	12.819	-	12.819
XI. DEFERRED TAX ASSETS	13	16.073	-	16.073	12.631	-	12.631
XII. OTHER ASSETS	14	10.965	651	11.616	5.692	133	5.825
SUBTOTAL		3.489.886	1.155.300	4.645.186	2.649.999	615.229	3.265.228
XIII. ASSETS HELD FOR SALE AND TERMINATED OPERATIONS (Net)		-	-	-	-	-	-
13.1 Held for sale purpose		-	-	-	-	-	-
13.2 Asset of Discontinued Operations		-	-	-	-	-	-
TOTAL ASSETS		3.489.886	1.155.300	4.645.186	2.649.999	615.229	3.265.228

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 2020

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

	LIABILITIES	Notes	Audited Current Period 31 December 2020			Audited Prior Period 31 December 2019(*)		
			TL	FC	Total	TL	FC	Total
I.	FUNDS BORROWED	15	2.456.768	1.035.572	3.492.340	2.622.200	327.744	2.949.944
II.	FACTORING PAYABLES	8	6.021	3.711	9.732	1.765	1.090	2.855
III.	LEASING TRANSACTIONS PAYABLES (Net)	16	884	-	884	309	-	309
IV.	DEBT SECURITIES ISSUED (Net)	17	643.248	-	643.248	-	-	-
V.	FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL LIABILITIES	18	-	-	-	3.116	-	3.116
VII.	PROVISIONS	20	5.028	-	5.028	3.570	-	3.570
7.1	Restructuring Provision		-	-	-	-	-	-
7.2	Reserves For Employee Benefits		5.028	-	5.028	3.570	-	3.570
7.3	General Provision		-	-	-	-	-	-
7.4	Other Provisions		-	-	-	-	-	-
VIII.	CURRENT TAX LIABILITY	21	15.100	-	15.100	3.314	-	3.314
IX.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
X.	SUBORDINATED LOANS		-	-	-	-	-	-
XI.	OTHER LIABILITIES	19	713	1.571	2.284	656	970	1.626
	SUBTOTAL		3.127.762	1.040.854	4.168.616	2.634.930	329.804	2.964.734
XII.	LIABILITIES FOR PROPERTY AND EQUIPMENT HELD FOR SALE PURPOSE AND HELD FROM TERMINATED OPERATIONS (Net)		-	-	-	-	-	-
12.1	Held for sale purpose		-	-	-	-	-	-
12.2	Discontinued operations		-	-	-	-	-	-
XIII.	SHAREHOLDERS' EQUITY	22	476.570	-	476.570	300.494	-	300.494
13.1	Paid-in Capital	22	150.000	-	150.000	63.500	-	63.500
13.2	Capital Reserves		5.277	-	5.277	5.277	-	5.277
13.2.1	Share Premiums		-	-	-	-	-	-
13.2.2	Share Cancellation Profits		-	-	-	-	-	-
13.2.3	Other Capital Reserves		5.277	-	5.277	5.277	-	5.277
13.3	Accumulated Other Comprehensive Income or Loss Not Reclassified Through Profit or Loss	22	(439)	-	(439)	(318)	-	(318)
13.4	Accumulated Other Comprehensive Income or Loss Reclassified Through Profit or Loss	23	153.009	-	153.009	32.104	-	32.104
13.5	Profit Reserves	23	136.779	-	136.779	254.644	-	254.644
13.5.1	Legal Reserves		12.700	-	12.700	12.700	-	12.700
13.5.2	Status Reserves		-	-	-	-	-	-
13.5.3	Extraordinary Reserves		124.079	-	124.079	241.944	-	241.944
13.5.4	Other Profit Reserves		-	-	-	-	-	-
13.6	Profit or Loss		31.944	-	31.944	(54.713)	-	(54.713)
13.6.1	Previous Years Profit or Loss		(23.348)	-	(23.348)	(31.365)	-	(31.365)
13.6.2	Period Net Profit or Loss		55.292	-	55.292	(23.348)	-	(23.348)
	TOTAL LIABILITIES		3.604.332	1.040.854	4.645.186	2.935.424	329.804	3.265.228

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2020 AND 31 DECEMBER 2019

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

OFF-BALANCE SHEET ITEMS	Notes	Audited Current Period 31.12.2020			Audited Prior Period 31.12.2019		
		TL	FC	Total	TL	FC	Total
I. RECOURSE FACTORING TRANSACTIONS		61.791	410.811	472.602	58.645	253.234	311.879
II. NON-RECOURSE FACTORING TRANSACTIONS		225.283	119.935	345.218	126.107	80.548	206.655
III. GUARANTEES RECEIVED	24	27.938.345	22.101.346	50.039.691	23.938.799	15.844.494	39.783.293
IV. GUARANTEES GIVEN	24	553.267	31.821	585.088	21.152	39.345	60.497
V. COMMITMENTS		-	-	-	-	-	-
5.1 Irrevocable Commitments		-	-	-	-	-	-
5.2 Revocable Commitments		-	-	-	-	-	-
5.2.1 Lease Commitments		-	-	-	-	-	-
5.2.1 Financial Lease Commitments		-	-	-	-	-	-
5.2.1 Operating Lease Commitments		-	-	-	-	-	-
5.2.2 Other revocable commitments		-	-	-	-	-	-
VI. DERIVATIVE FINANCIAL INSTRUMENTS	24	88.246	80.746	168.992	284.710	284.353	569.063
6.1 Hedging Derivative Financial Instruments		-	-	-	-	-	-
6.1.1 Transactions for Fair Value Hedge		-	-	-	-	-	-
6.1.2 Transactions for Cash Flow Hedge		-	-	-	-	-	-
6.1.3 Transactions for Foreign Net Investment Hedge		-	-	-	-	-	-
6.2 Trading Transactions		88.246	80.746	168.992	284.710	284.353	569.063
6.2.1 Forward buy/sell transactions		-	-	-	-	-	-
6.2.2 Swap buy/sell transactions		88.246	80.746	168.992	284.710	284.353	569.063
6.2.3 Optional buy/sell transactions		-	-	-	-	-	-
6.2.4 Futures buy/sell transactions		-	-	-	-	-	-
6.2.5 Other		-	-	-	-	-	-
VII. ITEMS HELD IN CUSTODY	24	768.401	117.109	885.510	431.131	95.790	526.921
TOTAL OFF BALANCE SHEET COMMITMENTS		29.635.333	22.861.768	52.497.101	24.860.544	16.597.764	41.458.308

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 2020 AND
31 DECEMBER 2019

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

PROFIT OR LOSS ITEMS	Notes	Audited	
		Current Period	Prior Period
		1 January – 31 December 2020	1 January – 31 December 2019(*)
I. OPERATING INCOME	27	348.306	477.229
FACTORING INCOME		348.306	477.229
1.1 Interest Received from Factoring Receivables		337.177	462.780
1.1.1 Discounted		106.553	73.557
1.1.2 Other		230.624	389.223
1.2 Fees and Commissions Received from Factoring Receivables		11.129	14.449
1.2.1 Discounted		4.801	2.572
1.2.2 Other		6.328	11.877
FINANCE LOAN INCOME		-	-
1.3 Interest Received from Finance Loans		-	-
1.4 Fees and Commissions Received from Finance Loans		-	-
LEASING INCOME		-	-
1.5 Financial Leasing Income		-	-
1.6 Operational Leasing Income		-	-
1.7 Fees and Commissions Received from Leasing Transactions		-	-
II. FINANCIAL EXPENSES (-)	28	251.742	357.782
2.1 Interest Paid for Borrowings		199.942	281.559
2.2 Interest Paid for Factoring Transactions		-	-
2.3 Financial Lease Expense		247	269
2.4 Interest Paid for Securities		43.548	59.544
2.5 Other Interest Expenses		-	-
2.6 Fees and Commissions		8.005	16.410
III. GROSS PROFIT/LOSS (I+II)		96.564	119.447
IV. OPERATING EXPENSE (-)	29	37.480	33.672
4.1 Personnel Expenses		27.733	24.119
4.2 Provision Expense for Employment Termination Benefits		375	295
4.3 Research and Development Expenses		-	-
4.4 General Administration Expenses		9.372	9.258
4.5 Other		-	-
V. GROSS OPERATING PROFIT/LOSS (III+IV)		59.084	85.775
VI. OTHER OPERATING INCOME	30	627.943	393.456
6.1 Interest Received from Banks		-	331
6.2 Interest Received from Securities		-	-
6.3 Dividend Income		3.407	2.191
6.4 Trading Account Gain/Losses		131	213
6.5 Gain/losses from Derivative Transactions		26.904	54.647
6.6 Foreign Exchange Gain/Losses		551.007	298.352
6.7 Other		46.494	37.722
VII. PROVISIONS	31	55.741	202.294
7.1 Specific Provision		-	-
7.2 Expected Loss Provision		55.741	202.294
7.3 General Provision		-	-
7.4 Other		-	-
VIII. OTHER OPERATING EXPENSES (-)	32	559.643	307.240
8.1 Impairment of Marketable Securities		-	-
8.2 Impairment of Fixed Assets		-	-
8.3 Trading Account Loss		-	-
8.4 Loss from Derivative Financial Transaction		146	3.151
8.5 Foreign Exchange Loss		558.888	291.854
8.6 Other		609	12.235
IX. NET OPERATING INCOME/EXPENSE (V+...+VIII)		71.643	(30.303)
X. MERGER PROFIT I		-	-
XI. SURPLUS WRITTEN AS GAIN AFTER MERGER PROFIT / LOSS FROM INVESTMENTS ACCOUNTED FOR UNDER EQUITY		-	-
XII. NET MONETARY POSITION GAIN/LOSS		-	-
XIII. PROFIT/LOSS BEFORE TAXES FROM CONTINUING OPERATIONS (IX+...+XII)		71.643	(30.303)
XIV. PROVISION FOR TAXES ON INCOME FROM CONTINUING OPERATIONS(±)	33	16.351	(6.955)
14.1 Current Tax Provision		19.759	-
14.2 Deferred Tax Expense Effect (+)		3.949	74
14.3 Deferred Tax Income Effect (-)		(7.357)	(7.029)
XV. NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XIII±XIV)		55.292	(23.348)
XVII. EXPENSES FROM TERMINATED OPERATIONS (-)		-	-
17.1 Expenses from Assets Held for Resale		-	-
17.2 Loss on Investment and Associates, Subsidiaries and Joint Ventures		-	-
17.3 Other Expenses		-	-
XVIII. PROFIT/LOSS BEFORE TAX FROM TERMINATED OPERATIONS (XVI-XVII)		-	-
XIX. TAXATION ON INCOME FROM TERMINATED OPERATIONS (±)		-	-
19.1 Current Tax Provision		-	-
19.2 Deferred Tax Expense Effect (+)		-	-
19.3 Deferred Tax Income Effect (-)		-	-
XX. NET PROFIT/LOSS FROM TERMINATED OPERATIONS (XVII±XVIII)		-	-
XXI. NET PROFIT/LOSSES (XIV+XIX)		55.292	(23.348)
EARNINGS PER SHARE	34	0,369	(0,368)

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 2020

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

PROFIT/LOSS AND OTHER COMPREHENSIVE INCOME	Notes	Audited	Audited
		Current Period 1 January – 31 December 2020	Prior Period 1 January – 31 December 2019(*)
I. PERIOD INCOME/LOSS		55.292	(23.348)
II. OTHER COMPREHENSIVE INCOME		120.784	22.719
2.1 Items that will not be reclassified to profit or loss		(121)	(239)
2.1.1 Gains/(losses) on revaluation of tangible assets		-	-
2.1.2 Gains/(losses) on revaluation of intangible assets		-	-
2.1.3 Gains/(losses) on remeasurement of defined benefit pension plans	20	(155)	(307)
2.1.4 Other items that will not be reclassified to profit or loss		-	-
2.1.5 Taxation on comprehensive income that will not be reclassified to profit or loss		34	68
2.2 ITEMS THAT WILL BE RECLASSIFIED TO PROFIT OR LOSS		120.905	22.958
2.2.1 Translation differences for transactions in foreign currencies		-	-
2.2.2 Valuation and / or Reclassification Income / Expense of the Financial Assets at Fair Value Through Other Comprehensive Income	7	120.905	22.958
2.2.3 Gains/(losses) from cash flow hedges		-	-
2.2.4 Gains/(losses) from net investment hedges		-	-
2.2.5 Other items that will be reclassified to profit or loss		-	-
2.2.6 Taxation on comprehensive income that will be reclassified to profit or loss		-	-
III. TOTAL COMPREHENSIVE INCOME (I+II)		176.076	(629)

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY FOR THE YEAR ENDED 31 DECEMBER 2020 AND 31 DECEMBER 2019 (Amounts are expressed in thousands of Turkish Lira ("TL") unless otherwise stated.)

CHANGES IN SHAREHOLDER'S EQUITY	Notes					Other Accumulated Comprehensive Income that will be not reclassified to Profit/Loss			Other Accumulated Comprehensive Income that may be reclassified subsequently to Profit/Loss			Profit Reserves	Prior Period Profit/(Loss)	Net Current Period Profit/Loss	Total Equity	
		Paid-in Capital	Share Premium	Share Cancellation Profits	Other Capital Reserves	1	2	3	4	5	6					
Prior Period (01.01 – 31.12.2019) (Audited)(*)																
I. Balance at the Beginning of the Period	22	63.500	-	-	5.277	-	(79)	-	-	9.146	-	107.626	(31.365)	147.018	301.123	
II. Correction Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effect of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. New Balance (I+II)		63.500	-	-	5.277	-	(79)	-	-	9.146	-	107.626	(31.365)	147.018	301.123	
IV. Total Comprehensive Income		-	-	-	-	-	(239)	-	-	22.958	-	-	-	(23.348)	(629)	
V. Cash Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Capital Increase from internal reserves		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VII. Paid-in-Capital Inflation Adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated Loans		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Increases / Decreases due to other changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	147.018	-	(147.018)	-	
11.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2 Transfer to Reserves		-	-	-	-	-	-	-	-	-	-	147.018	-	(147.018)	-	
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Balance at the End of the Period (31.12.2019)		63.500	-	-	5.277	-	(318)	-	-	32.104	-	254.644	(31.365)	(23.348)	300.494	
Current Period (01.01 – 31.12.2020) (Audited)																
I. Balance at the Beginning of the Period	22	63.500	-	-	5.277	-	(318)	-	-	32.104	-	254.644	(31.365)	(23.348)	300.494	
II. Correction Made According to TAS 8		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.1 Effect of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
2.2 Effect of Changes in Accounting Policies		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
III. New Balance (I+II)		63.500	-	-	5.277	-	(318)	-	-	32.104	-	254.644	(31.365)	(23.348)	300.494	
IV. Total Comprehensive Income		-	-	-	-	-	(121)	-	-	120.905	-	-	-	55.292	176.076	
V. Cash Capital Increase		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VI. Capital Increase from internal reserves		86.500	-	-	-	-	-	-	-	-	-	(86.500)	-	-	-	
VII. Paid-in-Capital Inflation Adjustment		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
VIII. Convertible Bonds		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
IX. Subordinated Loans		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
X. Increases / Decreases due to other changes		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
XI. Profit Distribution		-	-	-	-	-	-	-	-	-	-	(31.365)	(8.017)	23.348	-	
11.1 Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	
11.2 Transfer to Reserves		-	-	-	-	-	-	-	-	-	-	(31.365)	31.365	-	-	
11.3 Other		-	-	-	-	-	-	-	-	-	-	-	(23.348)	23.348	-	
Balance at the End of the Period (31.12.2020)		150.000	-	-	5.277	-	(439)	-	-	153.009	-	136.779	(23.348)	55.292	476.570	

(1) Accumulated revaluation surplus / impairment of fixed assets,

(2) Accumulated repeat measurement gains / losses of defined benefit plans,

(3) Other (Accumulated amounts of investments accounted for by the equity method that are not reclassified from income to profit or loss to others, and other items that are not reclassified to impair others or others)

(4) Foreign currency translation differences,

(5) Accumulated revaluation and / or classification gains / losses on available for sale financial assets,

(6) Other (Cash flow hedging gains / investments accounted for by the equity method cumulative gains / (losses) to be classified as profit / loss to others and accumulated amounts of other comprehensive income to be reclassified to others or others).

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 2020

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

		Audited Current Period	Audited Prior Period(*)
	Notes	31 December 2020	31 December 2019
A.	CASH FLOWS FROM OPERATING ACTIVITIES		
1.1	Operating Profit Before Changes in Operating Assets and Liabilities	115.733	91.871
1.1.1	Interests received/Lease income	337.177	429.148
1.1.2	Interests paid/Lease expense	(239.184)	(333.706)
1.1.3	Dividends Received	3.407	2.191
1.1.4	Fee and Commissions Received	11.129	14.449
1.1.5	Other Income	65.502	54.647
1.1.6	Collections From Previously Written-Off Receivables	39.602	18.834
1.1.7	Payments to Personnel and Service Suppliers	(27.733)	(33.377)
1.1.8	Taxes Paid	(1.628)	(12.819)
1.1.9	Others	(72.539)	(47.496)
1.2	Changes in Operating Assets and Liabilities	(737.650)	473.316
1.2.1	Net (Increase) Decrease in Factoring Receivables	(1.280.679)	(592.666)
1.2.2	Net (increase) decrease in finance loans	-	11.246
1.2.3	Net (increase) decrease in lease receivables	-	(893)
1.2.4	Net (Increase) Decrease in Other Assets	(2.266)	-
1.2.5	Net (Increase) Decrease in Factoring Payables	6.877	-
1.2.6	Net Increase (Decrease) in Lease Payables	575	(6.956)
1.2.7	Net Increase (Decrease) in Funds Borrowed	537.843	1.062.585
1.2.8	Net Increase (Decrease) in Matured Payables	-	-
1.2.9	Net Increase (Decrease) in Other Liabilities	-	-
I.	Net Cash From Operating activities	(621.917)	565.187
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
2.1	Cash Paid for Purchase of Associates, Subsidiaries and Joint-Ventures	-	-
2.2	Cash Obtained From Sale of Associates, Subsidiaries and Joint-Ventures	-	22.657
2.3	Purchases of Tangible and Intangible Assets	(3.767)	-
2.4	Sales of Tangible and Intangible Assets	7	-
2.5	Cash Paid for Purchase of Financial Assets Available-for-Sale	-	-
2.6	Cash Obtained From Sale of Financial Assets Available-for-Sale	-	-
2.7	Cash Paid for Purchase of Held-to-Maturity Investment Securities	-	-
2.8	Cash obtained from Sale of Held-to-Maturity Investment Securities	-	-
2.9	Others	-	-
II.	Net Cash Used in Investing Activities	(3.760)	22.657
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
3.1	Cash Obtained from Funds Borrowed and Debt Securities Issued	638.450	-
3.2	Cash Used for Repayment of Funds Borrowed and Debt Securities Issued	-	(589.350)
3.3	Equity Instruments Issued	-	-
3.4	Dividends Paid	-	-
3.5	Payments for Finance Leases	-	-
3.6	Others	-	-
III.	Net Cash Generated from in Financing Activities	638.450	(589.350)
IV.	Effect of Change in Foreign Exchange Rates on Cash and Cash Equivalents	1.720	1.827
V.	Net Increase/(Decrease) in Cash and Cash Equivalents	14.493	321
VI.	Cash and Cash Equivalents at the Beginning of the Year	7.876	7.555
VII.	Cash and Cash Equivalents at the End of the Year	22.369	7.876

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 2020

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

	Audited Current Year (31 December 2020)	Audited Prior Year (31 December 2019)
I. DISTRIBUTION OF CURRENT YEAR PROFIT (*)		
1.1 PROFIT FOR THE YEAR	71.643	(30.303)
1.2 TAXES AND LEGAL DUTIES PAYABLE (-)	16.351	(6.955)
1.2.1 Corporate Tax (Income Tax)	19.759	-
1.2.2 Withholding Tax	-	-
1.2.3 Other Taxes and Duties (**)	(3.408)	(6.955)
A. NET PROFIT FOR THE YEAR (1.1-1.2)	55.292	(23.348)
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	-	(31.365)
1.10 STATUS RESERVES (-)	-	-
1.11 EXTRAORDINARY RESERVES	-	-
1.12 OTHER RESERVES	-	-
1.13 SPECIAL FUNDS	-	-
II. DISTRIBUTION FROM RESERVES	-	-
2.1 DISTRIBUTION OF RESERVES	-	-
2.2 DIVIDENDS TO SHAREHOLDERS (-)	-	-
2.2.1 To Owners of Ordinary Shares	-	-
2.2.2 To Owners of Privileged Shares	-	-
2.2.3 To Owners of Redeemed Shares	-	-
2.2.4 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)	-	-
3.2 TO OWNERS OF ORDINARY SHARES (%)	-	-
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 2020.

(**) It has been considered by the Banking Regulation and Supervision Agency that the income amounts related to deferred tax assets cannot be qualified as cash or internal resources, and therefore the part of the period profit arising from the said assets should not be subject to profit distribution and capital increase. Deferred tax income that will not be subject to distribution is TL 3.408 on December 31, 2020 (31 December 2019: 6.955).

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 2020

(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 2020, the number of employees of the Company is 112. (31 December 2019: 114)

The head office of the Company is located at:

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

Dividend payable:

None.

Approval of the financial statements:

The financial statements as of 31 December 2020 have been approved by the Board of Directors of the Company and authorized for issue at 28 January 2021. 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 regulations, communiqués, statements and circulars published by BRSA on accounting and financial reporting principles (together referred to as “BRSA Accounting and Financial Reporting Principles”).

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

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 2020

(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)

2.1.1 Functional and Reporting Currency

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

2.1.2 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.

2.1.3 Clarification/Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

2.1.4 Going Concern

The financial statements have been prepared based on the going concern assumption.

2.1.5 Comparative information and correction of prior periods’ financial statements

In order to enable the determination of the financial position and performance trends, the Company’s financial statements have been presented comparatively with the prior period. Reclassifications are made on comparative figures to conform to changes in presentation or reclassification of the financial statements.

2.1.6 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 8 – Factoring receivables, non-performing receivables

Note 20 – Employee benefits

Note 24 – Commitments and contingencies

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.

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

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

2.3 The new standards, amendments and interpretations

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

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

Definition of a Business (Amendments to TFRS 3)

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

The amendments:

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

The amendments to TFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively.

The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

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

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

Reliefs used as a result of amendments in TFRS 9 and TAS 39 is aimed to be disclosed in financial statements based on the amendments made in TFRS 7.

The interpretation did not have a significant impact on the financial position or performance of the company.

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

In June 2019, the POA issued amendments to TAS 1 Presentation of Financial Statements and TAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of ‘material’ across the standards and to clarify certain aspects of the definition. The new definition states that, ‘Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

2.3 The new standards, amendments and interpretations (Continued)

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

The amendments clarify that materiality will information, either individually or in combination with other information, is material in the context of the financial statements. The amendments to TAS 1 and TAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments must be applied prospectively and earlier application is permitted.

The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

Amendments to TFRS 16 – Covid-19 Rent Related Concessions

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

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

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

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Early application of the amendments is permitted.

The interpretation did not have a significant impact on the financial position or performance of the company.

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

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

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

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The company will evaluate the effects of these changes after the said standards are finalized.

İŞ FAKTORİNG ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND
FOR THE YEAR ENDED 31 DECEMBER 2020

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

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

2.3 The new standards, amendments and interpretations (Continued)

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

IFRS 17 - The new Standard for insurance contracts

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

The amendments are not applicable for the Company and did not have an impact on the financial position or performance of the Company.

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

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

The effects of this change on the financial position and performance of the Company are evaluated.

Amendments to IFRS 3 – Reference to the Conceptual Framework

In July 2020, the POA issued amendments to IFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of IFRS 3. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments issued to IFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied prospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS standards (March 2018).

The effects of this change on the financial position and performance of the Company are evaluated.

Amendments to TAS 16 – Proceeds before intended use

In July 2020, the POA issued amendments to TAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and costs of producing those items, in profit or loss. The amendments issued to TAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied retrospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

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

2.3 The new standards, amendments and interpretations (Continued)

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

There is no transition relief for the first time adopters.

The effects of this change on the financial position and performance of the Company are evaluated.

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

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

The effects of this change on the financial position and performance of the Company are evaluated.

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

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

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

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

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

Relief from discontinuing hedging relationships

- The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.
- Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.
- For the TAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.

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

2.3 The new standards, amendments and interpretations (Continued)

i) The new standards, amendments and interpretations which are effective as at 1 January 2019 (Continued)

- The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.
- As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

Separately identifiable risk components

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

Additional disclosures

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

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

Generally, a significant impact on the company's balance sheet and equity is not expected.

Annual Improvements – 2018–2020 Cycle

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

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

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all.

The effects of this change on the financial position and performance of the Company are evaluated.

2.4 Segment Reporting

None.

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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

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Intangible Assets (Continued)

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.

f. Financial Instruments

Financial assets

As of 1 January 2018, the Company within the scope of “IFRS 9 Financial Instruments”, classifies and accounts its financial assets as “Financial Assets at Fair Value Through Profit or Loss”, “Financial Assets at Fair Value Through Other Comprehensive Income” or “Financial Assets at Measured at Amortised Cost” by taking into account their business model and contractual cash flow characteristics. Financial assets are recognized or derecognized according to IFRS 9 “Recognition and Derecognition in the financial statements” requirements. The Company recognizes a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the financial instrument. Financial assets are measured at their fair value on initial recognition in the financial statements.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial Instruments (Continued)

Financial Assets at Fair Value Through Profit or Loss

Financial assets other than financial assets that are measured at amortized cost or at fair value through other comprehensive income, are measured at fair value through profit or loss. Financial assets at fair value through profit or loss are financial assets held for the purpose of generating profit from short-term fluctuations in price or similar factors in the market or being part of a portfolio for profitability in the short term, regardless of the acquisition reason. Financial assets which are derivative instruments not acting as a hedging instrument against financial risk is also classified under Financial assets at fair value through profit or loss.

Financial Assets Measured at Amortised Cost

Financial assets measured at amortized cost are those financial assets where the company has the intention and ability to held to the maturity, fixed or determinable payment plan, fixed-term debt instruments. Financial assets measured at amortized cost are recorded at amortized cost using the effective interest method less impairment, with revenue recognized using effective interest method.

Financial Assets at Fair Value Through Other Comprehensive Income

The Company has equity investments and debt securities quoted on an active market and investments in fair values are classified as financial assets carried at fair value through other comprehensive income. The Company has equity instruments that are not traded and not quoted in an active market whose fair value differences are reflected in other comprehensive income and are measured at cost, since their fair value cannot be measured reliably.

Gains and losses arising from changes in the fair value impairment loss recognized in the income statement, interest and monetary assets and interest and monetary assets calculated using the effective interest method are recognized in other comprehensive income and the financial assets are accumulated in the fund of revaluation. In the event that the investment is disposed of or is impaired, the total profit / loss accumulated in the revaluation fund of financial assets is classified in the income statement.

Dividends on equity instruments recognized at fair value through other comprehensive income are recognized in income statement when the Company's right to receive payment is established.

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 “TFRS 9-Financial Instruments, the Company recognizes expected credit loss allowance on financial assets at fair value through other comprehensive income or financial assets measured at amortized cost.

Under TFRS 9, the expected credit loss and specific provision is calculated according to the “three-stage” impairment model based on the change in the loan quality of financial assets after initial recognition and detailed in the following headings:

Stage 1:

An important determinant for calculating the expected credit loss in accordance with TFRS 9 is to assess whether there is a significant increase in the credit risk of the financial asset. Financial assets that have not experienced a significant increase in credit risk since the initial recognition are monitored in the first stage. Impairment for credit risk for the financial assets is equal to the 12-month expected credit losses.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial Instruments (Continued)

Stage 2:

Financial assets that experienced a significant increase in the credit risk since initial recognition, are transferred to Stage 2. The expected credit loss of these financial assets are measured at an amount equal to the instrument’s lifetime expected credit loss. In order to classify a financial asset in the second stage, the following criteria is considered:

- Overdue between 30-90 days
- Restructuring of the loan
- Significant deterioration in the probability

In the event of a significant deterioration in the probability of default, the credit risk is considered to be increased significantly and the financial asset is reclassified as stage 2.

Stage 3

Financial assets with sufficient and fair information for impairment at the reporting date, are classified in the third stage. Expected credit loss of these financial assets is measured at an amount equal to the lifetime expected credit loss. The following basic factors are considered for the classification of a financial asset in the third stage:

- More than 90 days past due
- Whether the credit rating is weakened, has suffered a significant weakness or can not be collected or there is a certain opinion on this matter

Specific provision is provided for factoring receivables in Stage 3.

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 fair value through profit or loss or other financial liabilities.

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss are initially measured at fair value on the balance sheet and are subsequently re-measured at fair value. The change in fair value is accounted under the statement of profit or loss. The net gain or loss recognized in profit or loss includes 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 to net present value of financial liabilities.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Derivative Financial Instruments

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 financial risks associated with foreign currency and interest rate fluctuations in relation to forecasted currency and loan transactions. In addition, the FC-TL direction foreign currency swap transactions are chosen due to its cost of advantage and are used to create foreign currency financing. TL is obtained from the banks as loan which is then converted into foreign currency by swap transactions and the interest paid is shown under finance expense in the financial statements of the Company.

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 2020 and 31 December 2019 are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
USD	7,3405	5,9402
EUR	9,0079	6,6506
GBP	9,9438	7.7765
AUD	5,6076	4,1433

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

l. 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

Current Tax

The provisional article added to the Corporate Tax Law numbered 5520 with the article 91 of Law No. 7061, the tax rate for the corporate earnings for the corporate taxation periods of 2018, 2019 and 2020 (accounting periods starting in the relevant year for the institutions for which special accounting period has been determined) is 22%. It has been determined that it will be applied. 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

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Taxes on Income (Continued)

Deferred Tax (Continued)

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.

The Company calculates and accounts for deferred tax in accordance with TAS 12 “Income Taxes” for the temporary differences between the applied accounting policies and valuation principles and the tax base value determined in accordance with the tax legislation.

Deferred taxes on assets directly related to equity are associated with the equity account group and netted off with the related accounts in this group.

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 2020</u>	<u>31 December 2019</u>
Discount rate	4,07%	4,20%
Expected rate of salary/limit increase	8,00%	7,20%
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 7.117,17 effective from 31 December 2020 has been taken into consideration in calculation of provision for employee termination benefits (retirement pay provision) (31 December 2019: full TL 6.379,86).

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.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 9).

4. CASH and CASH EQUIVALENTS

	<u>31 December 2020</u>		<u>31 December 2019</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Demand Deposits	13.980	8.389	997	6.879
	13.980	8.389	997	6.879

As at 31 December 2020, GBP 489 Thousand, EUR 195 Thousand, USD 240 Thousand, total TL 8.389 thousand portion of total foreign currency deposits (31 December 2019: EUR 238 thousand ,USD 751 thousand, GBP 99 thousand, AUD 16 thousand, total TL 6.879) and TL 13.980 thousand portion of total TL deposits (31 December 2019: TL 997) 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:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Demand deposits	22.369	7.876
Time deposits (Up to 3 months)	-	-
Cash and cash equivalents	22.369	7.876

As at 31 December 2020 and 31 December 2019, there is no blockage on cash and cash equivalent.

5. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

As at 31 December 2020 and 31 December 2019, details of explanations on post-balance sheet issues are as follows:

	<u>31 December 2020</u>		<u>31 December 2019</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Mutual Funds	1.684	-	-	-
	1.684	-	-	-

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6. DERIVATIVE FINANCIAL ASSETS

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 2020 and 31 December 2019, details of derivative financial assets and derivative financial liabilities are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Financial Assets from Swap Transactions	5.736	-	146	-
	5.736	-	146	-

7. FINANCIAL ASSETS at FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As at 31 December 2020 and 31 December 2019, details of financial assets at fair value through other comprehensive income (Formerly known as ‘Financial assets available for sale’):

Title of the investment	Core business	Incorporation and location	Voting right (%)	Ownership rate (%)		Carrying Amount	
				31 December 2020	31 December 2019	31 December 2020	31 December 2019
<u>Quoted Investments:</u>							
İş Yatırım Menkul Değerler A.Ş.	Investment and Securities Services	İstanbul	2,43	2,43	2,43	152.393	39.480
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Private Equity	İstanbul	0,73	0,73	0,89	10.472	2.594
<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	-	686
Efes Varlık Yönetim A.Ş.	Asset Management	İstanbul	2,86	2,86	5,00	2.000	2.000
TOTAL						164.904	44.799

Movement table of financial assets at fair value through other comprehensive income is as follows:

	31 December 2020	31 December 2019
Opening balance at 1 January 2020	44.799	21.842
Free shares	-	-
Purchases	-	-
Sales	(800)	-
Revaluation increase	120.905	22.957
Closing balance at the end of the period	164.904	44.799

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8. FACTORING RECEIVABLES AND PAYABLES

Factoring receivables:

	31 December 2020	31 December 2019
Import and domestic factoring receivables	3.866.968	2.875.781
Export factoring receivables	565.828	264.271
Factoring interest income accruals	31.412	33.632
Unearned interest income (-)	(47.068)	(13.936)
Expected Credit Loss - Stage 1	(31.745)	(23.504)
Expected Credit Loss - Stage 2	(2.393)	(4.674)
Total factoring receivables	4.383.002	3.131.570
Non-performing factoring receivables	227.049	227.541
Expected Credit Loss- Stage 3	(190.251)	(180.388)
Factoring receivables, net	4.419.800	3.178.723

Ratings	Stage 1	Stage 2	Stage 3	Total
Total portfolio	4.357.472	59.668	227.049	4.644.189
Very good	1.961.586	-	-	1.961.586
Standard	2.395.886	-	-	2.395.886
Substandard	-	59.668	227.049	286.717
Expected credit losses	31.745	2.393	190.251	224.389
Factoring receivables, net	4.325.727	57.275	36.798	4.419.800

	Carried value			Expected credit loss		
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3
Financial assets	22.369	-	-	57	-	-
Factoring	4.357.472	59.668	227.049	31.688	2.393	190.251

As at 31 December 2020, TL 479.407 thousands, EUR 28.771 thousands, USD 5.232 thousands and GBP 4.468 thousands of factoring receivables have variable rates (31 December 2019: TL 449.874, EUR 7.583, USD 4.111 and GBP 1.695) while TL 2.794.164 thousands, EUR 59.698 thousands, USD 36.305 thousands, GBP 2 thousands of factoring receivables have fixed rates (31 December 2019: TL 2.117.293, EUR 52.244 thousands, USD 29.640 thousands, GBP 2 thousands).

As at 31 December 2020, the average interest rate applicable for the factoring receivables is; 20,94% for TL, 6,14% for USD, 4,07% for EUR and 2,97% for GBP (31 December 2019: 15,03% for TL, 6,26% for USD, 2,76% for Euro and 5,50% for GBP).

The Company has contractual sureties as collateral for factoring receivables.

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8. FACTORING RECEIVABLES AND PAYABLES (Continued)

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

	<u>31 December 2020</u>	<u>31 December 2019</u>
Domestic irrevocable	2.479.709	1.992.269
Domestic revocable	1.377.672	919.887
Foreign revocable	294.106	135.800
Foreign irrevocable	268.313	130.767
	<u>4.419.800</u>	<u>3.178.723</u>

As of the balance sheet date, the Company does not have any restructured factoring receivables balance, that may be overdue or doubtful if it is not restructured. (31 December 2019: None)

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

	<u>31 December 2020</u>	<u>31 December 2019</u>
Between 0-90 days	854	15.401
Between 90-180 days	2.538	64
Between 180-360 days	7.066	192.699
Over 360 days	216.591	19.377
	<u>227.049</u>	<u>227.541</u>

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

The movement of expected credit loss and specific provision is as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Allowance at the beginning of the period	(208.566)	(36.124)
Provision reversed during the period	(55.741)	(202.294)
Collections	39.601	18.827
Write-Off	317	11.025
Allowance at the end of the period	<u>(224.389)</u>	<u>(208.566)</u>

Factoring Payables:

As at 31 December 2020 and 31 December 2019, details of factoring payables are as follows:

	<u>31 December 2020</u>		<u>31 December 2019</u>	
	TL	FC	TL	FC
Factoring payables	6.021	3.711	1.765	1.090
	<u>6.021</u>	<u>3.711</u>	<u>1.765</u>	<u>1.090</u>

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8. FACTORING RECEIVABLES AND PAYABLES (Continued)

As at 31 December 2020, details of Standard and factoring receivables under close monitoring and amendments related to the extension of the payment plan of the factoring receivables under close monitoring are as follows:

	Standard Loans	Loans Under Close Monitoring
Expected credit loss for 12 months	31.688	-
Significant Increase in Credit Risk	-	2.393

	Standard Loans	Loans Under Close Monitoring
Number of Amendments Related to the Extension of the Payment Plan	-	14.936
Extended for 1 or 2 Times	-	152
Extended for 3,4 or 5 Times	-	14.784
Extended for More than 5 Times	-	-

	Standard Loans	Loans Under Close Monitoring
The Time Extended via the Amendment on payment Plan	-	14.936
0-6 Months	-	-
6 Months – 12 Months	-	152
1 – 2 Years	-	-
2 –5 Years	-	14.784
5 Years and More	-	-

9. RELATED PARTIES

Banks

	31 December 2020	31 December 2019
Türkiye İş Bankası A.Ş. Demand Deposit	6.171	3.749
İşbank AG Demand Deposit	143	193
Türkiye Sınai Kalkınma Bankası A.Ş.	-	12
	6.314	3.954

Derivative Financial Assets

	31 December 2020	31 December 2019
Türkiye İş Bankası A.Ş.	-	108
Türkiye Sınai Kalkınma Bankası A.Ş.	348	-
	348	108

Factoring receivables

	31 December 2020	31 December 2019
Ortopro Tıbbi Aletler Sanayi ve Ticaret A.Ş.	4.068	9.852
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	1.461	2.796
Toksöz Spor Malzemeleri	-	2.381
	5.529	15.029

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9. RELATED PARTIES (Continued)

Payables	31 December 2020	31 December 2019
Türkiye İş Bankası A.Ş.	227	189
İş Merkezleri Yönetim ve İşletim A.Ş.	15	6
İş Net Elektronik Bilgi Üretim Dağ Tic. ve İletişim Hiz. A.Ş	12	6
SoftTech Yazılım Teknolojileri Araştırma Geliştirme ve Pazarlama Ticaret A.Ş.	4	-
	258	201

Borrowings

As at 31 December 2020 and 31 December 2019, details of borrowings from related parties are as follows:

Türkiye İş Bankası A.Ş.

Currency	Interest Rate %	Maturity	31 December 2020
TL	9,25-19,75	14.01.2021 – 31.03.2021	847.980
USD	1,75-4,75	04.01.2021 – 23.08.2021	514.025
EUR	2,50-4,00	04.01.2021 – 26.01.2021	189.453
			1.551.458

Türkiye Sınai Kalkınma Bankası A.Ş.

Currency	Interest Rate %	Maturity	31 December 2020
TL	-	-	-
USD	-	-	-
			-

İşbank AG

Currency	Interest Rate %	Maturity	31 December 2020
EUR	1,15-1,30	26.01.2021 – 15.04.2021	105.532
			105.532

Türkiye İş Bankası A.Ş.

Currency	Interest Rate %	Maturity	31 December 2020
TL	11,20-29,40	31.01.2020 – 31.12.2021	997.212
EUR	0,75	03.01.2020 – 02.04.2020	121.393
			1.118.605

Türkiye Sınai Kalkınma Bankası A.Ş.

Currency	Interest Rate %	Maturity	31 December 2020
USD	10,50	06.01.2021	50.123
TL	4,00	20.06.2020	49.571
			99.694

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9. RELATED PARTIES (Continued)

İş Bank AG

<u>Currency</u>	<u>Interest Rate %</u>	<u>Maturity</u>	<u>31 December 2019</u>
EUR	0,50	03.01.2020-16.03.2020	28.400
			28.400

For the periods ended 31 December 2020 and 31 December 2019, leasing transactions with related parties are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
<u>Leasing Payables</u>		
Türkiye İş Bankası A.Ş.	5	-
İş Gayrimenkul Yatırım Ortaklığı	71	67
	76	67

For the periods ended 31 December 2020 and 31 December 2019, the details of issued securities purchased by related parties are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
<u>Issued Securities Purchased</u>		
Milli Reasürans	57.785	-
Anadolu Sigorta A.Ş.	14.479	-
Türkiye İş Bankası A.Ş.	5.499	-
İş Yatırım Ortaklığı A.Ş.	252	-
	78.015	-

As at 31 December 2020 and 31 December 2019, nominal amounts of derivatives transactions with the related parties, Türkiye Sınai Kalkınma Bankası A.Ş and T.İş Bankası A.Ş are as follows:

	<u>31 December 2020</u>		<u>31 December 2019</u>	
<u>Swap Transactions</u>	<u>Purchase</u>	<u>Sale</u>	<u>Purchase</u>	<u>Sale</u>
Türkiye Sınai Kalkınma Bankası A.Ş	7.912	7.341	-	-
Türkiye İş Bankası A.Ş.	-	-	87.603	87.445
	7.912	7.341	87.603	87.445

Factoring Interest Income

	<u>31 December 2020</u>	<u>31 December 2019</u>
Ortopro Tıbbi Aletler San. Ve Tic A.Ş.	690	2.570
Toksöz Spor Malzemeleri Tic. A.Ş.	220	240
Nevotek Bil. Ses ve İlet. Sist. San. ve Tic. A.Ş.	124	232
Anadolu Cam Sanayii A.Ş.	80	-
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	-	3.527
	1.114	6.569

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9. RELATED PARTIES (Continued)

	<u>31 December 2020</u>	<u>31 December 2019</u>
<u>Factoring Commission Income</u>		
Ortopro Tıbbi Aletler San. ve Tic. A.Ş.	100	307
Nevotek Bil.Ses ve İlet. Sist. San.ve Tic. A.Ş	14	32
Toksöz Spor Malzemeleri Tic. A.Ş.	10	29
	124	368
<u>Interest Income on Securities</u>		
Türkiye İş Bankası A.Ş.	131	213
	131	213
<u>Dividend Income</u>		
İş Yatırım Menkul Değerler A.Ş.	3.405	2.190
Yatırım Finansman Menkul Değerler A.Ş	2	1
	3.407	2.191
<u>Subsidiary Sales Revenues</u>		
Türkiye İş Bankası A.Ş.	167	-
	167	-
<u>Commission Expenses</u>		
İş Yatırım Menkul Değerler A.Ş.	2.012	1.635
Türkiye İş Bankası A.Ş.	757	624
İşbank AG	12	13
	2.781	2.727
<u>Financial Expenses</u>		
Türkiye İş Bankası A.Ş.	52.217	18.965
Türkiye Sınai Kalkınma Bankası A.Ş.	7.211	6.790
İşbank AG	461	591
İş Gayrimenkul Yatırım Ortaklığı A.Ş	-	9
	59.889	26.355

As of 31 December 2020 and 31 December 2019 amounts related to securities issued by the Company in the portfolio of related parties are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
<u>Interest Paid on Securities</u>		
Milli Reasürans	2.502	-
Anadolu Sigorta	578	-
Türkiye İş Bankası A.Ş	187	47
İş Yatırım Ortaklığı A.Ş.	22	19
İş Girişim Sermayesi Yatırım Ort.A.Ş.	-	111
İş Yatırım Menkul Değerler A.Ş.	-	18
	3.289	195

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9. RELATED PARTIES (Continued)

<u>Administrative Expenses</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Anadolu Anonim Türk Sigorta A.Ş.	819	688
İş Merkezleri Yönetim ve İşletim A.Ş.	624	574
İş Net Elektronik Bilgi Üretim Dağ Tic. ve İletişim Hiz. A.Ş.	318	111
Softtech Yazılım Teknolojileri Araştırma Geliştirme ve Pazarlama Ticaret A.Ş.	60	65
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	16	-
Türkiye İş Bankası A.Ş.	10	7
Anadolu Hayat Emeklilik A.Ş.	-	20
	1.847	1.465
<u>Rent Expenses (**)</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Türkiye İş Bankası A.Ş.	2.176	1.932
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	78	84
	2.254	2.016
<u>Benefits paid to the key management</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Salaries and other short-term benefits (*)	5.091	4.619
	5.091	4.619

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

(**) It is presented as the total amount of depreciation and financing expenses set aside for rent within the scope of TFRS 16 standard.

10. TANGIBLE ASSETS

	<u>Vehicles</u>	<u>Furniture and Fixtures</u>	<u>Right-of-use assets (*)</u>	<u>Special Costs</u>	<u>Total</u>
<u>Cost</u>					
Opening balance at 1 January 2020	410	2.338	1.895	448	5.091
Additions	872	710	2.178	7	3.767
Disposals	-	(7)	-	-	(7)
Closing balance at 31 December 2020	1.282	3.041	4.073	455	8.851
<u>Accumulated depreciation</u>					
Opening balance at 1 January 2020	(52)	(1.600)	(1.813)	(298)	(3.763)
Depreciation for the year	(363)	(373)	(2.168)	(54)	(2.958)
Disposals	-	5	-	-	5
Closing balance at 31 December 2020	(415)	(1.968)	(3.981)	(352)	(6.716)
Net Carrying amount at 31 December 2020	867	1.073	92	103	2.135

(*) Includes TFRS 16 effect.

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10. TANGIBLE ASSETS (Continued)

	<u>Vehicles</u>	<u>Furniture and Fixtures</u>	<u>Right-of-use assets (*)</u>	<u>Special Costs</u>	<u>Total</u>
<u>Cost</u>					
Opening balance at 1 January 2019	183	2.405	-	448	3.036
Additions	227	81	1.895	-	2.203
Disposals	-	(148)	-	-	(148)
Closing balance at 31 December 2019	<u>410</u>	<u>2.338</u>	<u>1.895</u>	<u>448</u>	<u>5.091</u>
<u>Accumulated depreciation</u>					
Opening balance at 1 January 2019	(3)	(1.430)	-	(230)	(1.663)
Depreciation for the year	(49)	(300)	(1.813)	(68)	(2.230)
Disposals	-	130	-	-	130
Closing balance at 31 December 2019	<u>(52)</u>	<u>(1.600)</u>	<u>(1.813)</u>	<u>(298)</u>	<u>(3.763)</u>
Net Carrying amount at 31 December 2019	<u>358</u>	<u>738</u>	<u>82</u>	<u>150</u>	<u>1.328</u>

(*)Includes TFRS 16 effect.

11. INTANGIBLE ASSETS

<u>Cost</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Opening balance at 1 January	2.639	2.393
Additions	201	246
Disposals	-	-
Closing balance at the end of the period	<u>2.840</u>	<u>2.639</u>
<u>Accumulated amortization</u>		
Opening balance at 1 January	(1.538)	(1.165)
Charge for year	(413)	(393)
Disposals	-	-
Closing balance at the end of the period	<u>(1.971)</u>	<u>(1.558)</u>
Net Carrying amount	<u>869</u>	<u>1.081</u>

12. CURRENT TAX ASSETS

As of 31 December 2020, there is no current tax assets. (31 December 2019: 12.819 TL)

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13. DEFERRED TAX ASSETS AND LIABILITIES

As at 31 December 2020 and 31 December 2019, details of deferred tax assets %20 on December 31, 2020 and deferred tax liabilities based on the temporary differences calculated by the prevailing tax rate are as follows:

<u>Temporary time differences subject to deferred tax:</u>	<u>31 December 2020</u>	<u>31 December 2019</u>
Unearned interest income	47.068	13.936
Expected loss provision- Stage 1 and 2	34.138	28.178
Employee bonus accrual	2.508	1.788
Reserve for employee benefits	1.603	1.204
Cash collected commission income and expense	1.039	725
Unused vacation provision	917	578
Tax base differences in tangible and intangible assets	(1.171)	(1.575)
Accruals from derivative transactions	(5.736)	2.970
Provision for non-performing factoring receivables	-	111
Unused financial loss	-	9.511
	<u>80.366</u>	<u>57.426</u>

Deferred tax assets / (liabilities)

	<u>31 December 2020</u>	<u>31 December 2019</u>
Unearned interest income	9.414	3.066
Expected loss provision- Stage 1 and 2	6.828	6.199
Employee bonus accrual	502	393
Reserve for employee benefits	320	265
Cash collected commission income and expense	207	160
Unused vacation provision	183	127
Tax base differences in tangible and intangible assets	(234)	(346)
Accruals from derivative transactions	(1.147)	653
Provision for non-performing factoring receivables	-	22
Unused financial loss	-	2.092
Deferred tax assets (net)	<u>16.073</u>	<u>12.631</u>

Movements of deferred tax assets movement for the years ended 31 December 2020 and 31 December 2019 are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Opening balance at 1 January (*)	12.631	5.608
Deferred tax benefit / (expense)	3.408	6.955
Classified under other comprehensive income	34	68
Closing balance	<u>16.073</u>	<u>12.631</u>

The corporate tax rate in Turkey is 20%, however, the Corporate Tax Law provisional 10th for the substance according to 20% corporate tax rate, the institutions in 2018, 2019 and the taxation period in 2020 (special accounting period is in the relevant year for the determination of the institution accounting periods) will be applied as 22% for corporate earnings. Since the corporate tax rate will be 20% as of 2021, the deferred tax asset and liability has been calculated from 20%.

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14. OTHER ASSETS

As at 31 December 2020 and 31 December 2019, details of prepaid expenses are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Receivables from legal expenses	4.400	-	1.673	-
BITT amount to be collected from customers	4.190	640	2.756	127
Fee expenses	731	-	607	-
Information technologies expenses	487	-	136	-
Letter of guarantee commission	464	-	-	-
Insurance expenses	413	-	413	-
Brokerage commission expenses	219	-	-	-
Guarantees given	38	-	38	-
Credit rating expenses	9	-	12	-
Deposits given	2	-	6	-
Other receivables	12	11	51	6
	10.965	651	5.692	133

15. FUNDS BORROWED

As at 31 December 2020 and 31 December 2019, details of funds borrowed are as presented:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Short-term borrowings	2.456.768	1.035.572	2.622.086	278.243
Short-term portion of long-term borrowings	-	-	-	-
Total short-term borrowings	2.456.768	1.035.572	2.622.086	278.243
Long-term borrowings	-	-	114	49.501
Total long-term borrowings	-	-	114	49.501
Total	2.456.768	1.035.572	2.622.200	327.744

As at 31 December 2020 and 31 December 2019, details of borrowings based on types of currency are as follows:

Currency	Interest rate %	Original currency amount(thousands)	31 December 2020
TL	9,25-19,75		2.442.420
USD	0,75-4,00	28.212	207.090
EUR	0,40-4,75	86.409	778.363
GBP	1,21-2,03	4.618	45.925
Loan interest accrual			18.542
Total			3.492.340

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15. FUNDS BORROWED (Continued)

<u>Currency</u>	<u>Interest rate %</u>	<u>Original currency amount(thousands)</u>	<u>31 December 2019</u>
TL	10,50-29,40	-	2.598.114
USD	2,10-4,00	15.694	93.225
EUR	0,40-3,75	33.402	222.143
GBP	3,29-4,50	1.576	12.259
Loan interest accrual			24.203
Total			2.949.944

As at 31 December 2020 and 31 December 2019, interest rates of funds borrowed are expressed in compound rates.

As at 31 December 2020, fixed interest funds borrowed are TL 3.223.650 and floating interest funds borrowed are TL 268.690. (As at 31 December 2019, fixed interest funds borrowed are TL 1.886.196 thousands and floating interest funds borrowed are TL 1.063.748 thousands).

As of 31 December 2020, letters of guarantee amounting to TL 328.430 for the funds borrowed amounting to TL 550.000. (As of 31 December 2019, no letter of guarantee has been given for the loans received.)

Fair values of the funds borrowed are presented in Note 35.

16. PAYABLES FROM LEASING TRANSACTIONS

	<u>31 December 2020</u>		<u>31 December 2019</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Payables from leasing transactions	884	-	309	-
	884	-	309	-

17. DEBT SECURITIES ISSUED

As at 31 December 2020 and 31 December 2019, the details of debt securities issued are as followed:

	<u>31 December 2020</u>		<u>31 December 2019</u>	
	<u>TL</u>	<u>FC</u>	<u>TL</u>	<u>FC</u>
Debt securities issued(Net)	643.248	-	-	-
	643.248	-	-	-

As of 31 December 2020, the details of bonds that were issued by the Company are as follows:

31 December 2020

<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>Simple Interest Rate%</u>
TRFISFA12112	29.09.2020	345.000	08.01.2021	Qualified Investor	Payment at Maturity	13,50%
TRFISFA12120	20.10.2020	87.150	18.01.2021	Qualified Investor	Payment at Maturity	14,00%
TRFISFA22111	13.11.2020	216.190	11.02.2021	Qualified Investor	Payment at Maturity	15,75%

As of 31 December 2019, there is no bonds that were issued by the Company.

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18. DERIVATIVE FINANCIAL LIABILITIES

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Derivative financial liabilities	-	-	3.116	-
	-	-	3.116	-

19. OTHER LIABILITIES

As at 31 December 2020 and 31 December 2019, details of other payables are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Payables to suppliers	651	549	619	271
	651	549	619	271

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Other liabilities	62	1.022	37	699
	62	1.022	37	699

20. EMPLOYEE BENEFITS

As at 31 December 2020 and 31 December 2019, details of reserve for employee benefits are as follows:

	31 December 2020	31 December 2019
Employee bonus provision	2.508	1.788
Reserve for employee severance indemnity	1.603	1.204
Vacation pay liability	917	578
	5.028	3.570

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 7.117,17 effective from 31 December 2020 has been taken into consideration in calculation of provision for employee termination benefits (31 December 2019: 6.379,86 TL full).

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20. EMPLOYEE BENEFITS (Continued)

As of 31 December 2020 and 31 December 2019, the following actuarial assumptions are used in the calculation of the employee severance pay:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Balance at the beginning of the period	1.204	701
Interest Cost	150	82
Service Cost	225	213
Severance payment made	(131)	(99)
Actuarial difference	155	307
Balance at the end of the period	<u>1.603</u>	<u>1.204</u>

Actuarial gains or losses are recognized in other comprehensive income.

The movements of the vacation pay liability during the periods ended 31 December 2020 and 31 December 2019 are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Balance at the beginning of the period	578	603
Provision set during the period (net)	339	(25)
Balance at the end of the period	<u>917</u>	<u>578</u>

The movements of the employee bonus provision during the periods ended 31 December 2020 and 31 December 2019 are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Balance at the beginning of the period	1.788	1.438
Increase during the period	2.508	1.788
Paid employee bonus during during the period	(1.788)	(1.438)
Balance at the end of the period	<u>2.508</u>	<u>1.788</u>

21. CURRENT TAX LIABILITY

As at 31 December 2020 and 31 December 2019, details of current tax liability are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Provision for corporate taxes	9.596	-
Banking and Insurance Transaction Tax payable	4.723	2.636
Social Security Institution Premiums payable	410	336
Income tax payable	359	331
Other taxes and liabilities payable	12	11
Current tax liability	<u>15.100</u>	<u>3.314</u>

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22. PAID-IN CAPITAL AND CAPITAL RESERVES

As at 31 December 2020, nominal share capital of the Company is TL 150.000 and the share capital of the Company consists of 15.000.000.000 issued shares each with a nominal value of TL 1 Kurus. With the General Assembly Decision taken on March 23, 2020, the Company's capital of 63.500 TL was increased from 86.500 TL "Extraordinary Reserves" account to 150.000 TL.

With the decision of the General Assembly dated 23 March 2020, the Company decided to allocate TL 23.348 for 2019, no profit distribution was made, and the current loss was kept in the accumulated loss account of the company. On the other hand, with the same decision, previous years' losses amounting to TL 31.365, which occurred at the Company, were offset by transferring them to the extraordinary reserves account.

On December 18, 2020, the shares of Topkapı Danışmanlık Elektronik Hizmetler Pazarlama ve Ticaret A.Ş., one of the Company's partners, will be transferred to İş Merkezi Yönetim ve İşletme A.Ş. has been purchased by.

As at 31 December 2020 and 31 December 2019, shareholders and their ownership percentages are as follows:

Shareholders	(%)	31 December 2020	(%)	31 December 2019
İş Finansal Kiralama A.Ş.	78,2311	117.346,89	78,2311	49.676,75
Türkiye Sınai Kalkınma Bankası A.Ş.	21,7500	32.625,00	21,7500	13.811,25
Trakya Yatırım Holding A.Ş.	0,0063	9,37	0,0063	4,00
TSKB Gayrimenkul Değerleme A.Ş.	0,0063	9,37	0,0063	4,00
İş Merkezleri Yönetim ve İşletim A.Ş.	0,0063	9,37	-	-
Topkapı Yatırım Holding A.Ş.	-	-	0,0063	4,00
Total	100	150.000,00	100	63.500,00

The company does not have privileged shares representing the capital.

Capital Reserves

As at 31 December 2020 and 31 December 2019, details of capital reserves are as follows:

	31 December 2020	31 December 2019
Share capital inflation restatement differences	4.064	4.064
Bonus shares obtained from associates, subsidiaries and Jointly controlled entities	1.213	1.213
Total	5.277	5.277

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 2020, the Company has presented TL 153.009 of difference gained from revaluation between cost and fair value of assets available for sale under equity as a separate line. (31 December 2019: TL 32.104).

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

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.

23. PROFIT RESERVES

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.

	<u>31 December 2020</u>	<u>31 December 2019</u>
Legal reserves	12.700	12.700
Extraordinary reserves	124.079	241.944
Total	<u>136.779</u>	<u>254.644</u>

24. COMMITMENTS AND CONTINGENCIES

As at 31 December 2020 and 31 December 2019, the details of guarantees taken by the Company are as follows:

	<u>31 December 2020</u>		<u>31 December 2019</u>	
	TL	FC	TL	FC
Guarantee and Sureties	18.669.251	17.122.492	16.391.271	12.172.069
Finance Note	9.132.422	4.078.838	7.471.666	2.999.021
Ledged cash, deposit securities	60.000	4.504	-	-
Real estate pledge	50.301	-	55.251	-
Securities Pledge	25.871	27.447	13.711	26.205
Letters of Guarantee	500	-	6.900	-
Guarantees Given by Reporters	-	868.065	-	647.199
	<u>27.938.345</u>	<u>22.101.346</u>	<u>23.938.799</u>	<u>15.844.494</u>

As of December 31, 2020, the Company has a letter of guarantee of TL 3,267 given to courts, TL 550,000 for loans received (December 31, 2019: TL 21,152 for court expenses and TL 1,077,000 for loans received).

As of December 31, 2020, the Company has no irrevocable commitments (December 31, 2019: None). As of the end of the reporting period, the Company has a collateral of 31,821 TL (31 December 2019: 39,345) to guarantee the debts of third parties.

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24. COMMITMENTS AND CONTINGENCIES (Continued)

As at 31 December 2020, the details of derivative instruments of the Company are as follows:

	31 December 2020	
	FC	TL
Swap Purchase Transactions:		
TL	-	88.246
		88.246
Swap Sale Transactions:		
USD	11.000	80.746
EUR	-	-
GBP	-	-
		80.746
	31 December 2019	
	FC	TL
Swap Purchase Transactions:		
TL	-	284.710
		284.710
Swap Sale Transactions:		
USD	18.200	108.112
EUR	26.500	176.241
GBP	-	-
		284.353

As at 31 December 2020, the Company has TL 327 unrealized loss arising from changes in fair value of derivative contracts which is related to profit/loss. (31 December 2019: TL 2.199 unrealized profit).

31 December 2020 and 31 December 2019, the details of the Company’s items held in custody are as follows:

	31 December 2020		31 December 2019	
	TL	FC	TL	FC
Cheques	753.302	18.184	418.424	18.529
Notes	15.099	98.925	12.707	77.261
	768.401	117.109	431.131	95.790

25. 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.

26. EVENTS AFTER THE REPORTING PERIOD

None.

27. OPERATING INCOME

For the years ended 31 December 2020 and 31 December 2019, details of operating income are as follows:

	31 December 2020	31 December 2019
Interest income from factoring receivables	337.177	462.780
Fee and commission from factoring receivables	11.129	14.449
	348.306	477.229

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28. FINANCE EXPENSE

For the years ended 31 December 2020 and 31 December 2019, details of finance expenses are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Interest Expense	(199.942)	(281.559)
Interest Expense on Debt Securities Issued	(43.548)	(59.544)
Fees and Commission Expenses	(8.005)	(16.410)
Interest Expenses Related to Leasing Transactions	(247)	(269)
	<u>(251.742)</u>	<u>(357.782)</u>

29. OPERATING EXPENSES

For the years ended 31 December 2020 and 31 December 2019, details of operating expenses are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Personnel expenses	(27.733)	(24.119)
Depreciation and amortisation expenses	(3.371)	(2.624)
Information technology expenses	(1.152)	(1.071)
Outsourcing service expenses	(1.035)	(839)
Office rent expenses	(743)	(700)
Rental expenses	(192)	(628)
Maintenance and Repair Costs	(819)	(557)
Severance pay expense	(375)	(295)
Consultancy expenses	(357)	(414)
Communication expenses	(316)	(390)
Vehicle expenses	(220)	(300)
Other administrative expenses	(1.167)	(1.735)
	<u>(37.480)</u>	<u>(33.672)</u>

30. OTHER OPERATING INCOME

For the years ended 31 December 2020 and 31 December 2019, details of other operating income are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Foreign exchange gains	551.007	298.352
Cancellation of expected credit loss provision	39.585	18.834
Gain on derivative transactions	26.904	54.647
Dividend income	3.407	2.191
Affiliate sales income	2.335	-
Capital Market Transactions Profit	131	213
Interest from banks	-	331
Other	4.574	18.896
	<u>627.943</u>	<u>393.456</u>

31. EXPECTED CREDIT LOSS

For the years ended 31 December 2020 and 31 December 2019, details of specific provision for non-performing receivables are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Expected credit loss	(55.741)	(202.294)
	<u>(55.741)</u>	<u>(202.294)</u>

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32. OTHER OPERATING EXPENSES

For the years ended 31 December 2020 and 31 December 2019, details of other operating expenses are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Foreign exchange losses	(558.888)	(291.854)
Losses from derivative financial transactions	(146)	(3.151)
Other	(609)	(12.235)
	<u>(559.643)</u>	<u>(307.240)</u>

33. TAXATION

For the years ended 31 December 2020 and 31 December 2019, details of income tax expense are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Current tax charge	(19.759)	-
Deferred tax income / (expense)	3.408	6.955
	<u>(16.351)</u>	<u>6.955</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>2020</u>	<u>%</u>	<u>2019</u>
Net profit for the period		55.292		(23.348)
Total tax expense		16.351		(6.955)
Profit before tax		71.643		(30.303)
Income tax using the Company's tax rate	(22,00)	15.761	22,00	(6.667)
Other Income from Tax base		17.759		12.906
Tax exempt income		(17.169)		(13.194)
Total income tax expense	(22,82)	16.351	22,95	(6.955)

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.

The corporate tax rate in Turkey is 20%, however, the Corporate Tax Law provisional 10th for the substance according to 20% corporate tax rate, the institutions in 2018, 2019 and the taxation period in 2020 (special accounting period is in the relevant year for the determination of the institution accounting periods) will be applied as 22% for corporate earnings.

In Turkey, temporary tax is calculated and accrued on a quarterly basis. The advance corporate income tax rate in 2020 is 22% (31 December 2019: 22%). 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. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

As of December 31, 2020, the Company has a corporate tax provision of 19.759 TL (31 December 2019: none)

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33. TAXATION (Continued)

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. . Companies are required to fill in the transfer pricing form which will be included in the annex of the annual corporate tax return. In this form, the amounts of all transactions with related companies and the methods of transfer pricing related to these transactions are specified in the related accounting period.

34. 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 and revaluation funds. 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.

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

The weighted average number of shares of the Company and earnings per share for the periods ended 31 December 2020 and 31 December 2019 are as follows:

	<u>1 January- 31 December 2020</u>	<u>1 January- 31 December 2019</u>
Weighted average number of outstanding shares (*)	15.000.000.000	15.000.000.000
Net profit for the period (TL)	55.292	(23.348)
Earnings per share (full TL)	0,369	(0,156)
(*)As at 31 December 2020, the share capital of the Company consists of of 15.000.000.000 shares having Kurus 1 nominal price.		
	<u>31 December 2020</u>	<u>31 December 2019</u>
Number of shares at beginning of the period	6.350.000.000	6.350.000.000
Capital increase	8.650.000.000	-
Number of shares at end of the period	15.000.000.000	6.350.000.000

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

None.

36. EXPLANATIONS ON THE MATTERS AFTER THE BALANCE SHEET PERIOD

İş Faktoring A.Ş. The financing bills with a nominal amount of 355,250 TL issued by the Capital Markets Board were registered by the Capital Markets Board with the decision dated 31 December 2020 and numbered 79/1614. The issuance of the bond took place on January 08, 2021 and its maturity is April 08, 2021.

İş Faktoring A.Ş. The redemption payment of the financing bills with a nominal amount of TL 345.000 issued by the company was made on January 08, 2021.

The redemption payment of the financing bills with a nominal amount of TL 87.150 issued by İş Faktoring A.Ş. was made on 18 January 2021.

37. 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 2020, the debt/equity ratio is 12% as at 31 December 2020 (31 December 2019: 10%). As at 31 December 2020 and 31 December 2019, the leverage ratios are as follows:

	<u>31 December 2020</u>	<u>31 December 2019</u>
Funds borrowed	3.492.340	2.949.944
Debt securities issued (Net)	643.248	-
Factoring payables	9.732	2.855
Payables from leasing	884	309
Total debt	<u>4.146.204</u>	<u>2.953.108</u>
Banks (-)	<u>(22.369)</u>	<u>(7.876)</u>
Net debt	<u>4.123.835</u>	<u>2.945.232</u>
Total equity	476.570	300.494
Equity / Debt Ratio	12%	10%

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37. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(b) Categories of financial instruments

	<u>31 December 2020</u>	<u>31 December 2019</u>
<u>Financial assets:</u>		
Factoring receivables and non-performing factoring receivables	4.419.800	3.178.723
Financial assets at fair value through other comprehensive income	164.904	44.799
Banks	22.369	7.876
Fair value through profit or loss:	7.420	146
- Financial assets held for trading	1.684	-
- Derivative financial assets	5.736	146
<u>Financial Liabilities:</u>		
Funds borrowed	(3.492.340)	(2.949.944)
Debt securities issued (Net)	(643.248)	-
Factoring payables	(9.732)	(2.855)
Payables from leasing	(884)	(309)
Other liabilities	(2.284)	(1.626)
Financial assets at fair value through profit or loss:	-	(3.116)
-Derivative financial liabilities	-	(3.116)

(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, 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 current year in the Company’s exposure to market risks or the method it uses to manage and measure such risks compared to prior year.

(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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37. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(e) Currency risk management (Continued)

As at 31 December 2020 and 31 December 2019, details of foreign currency denominated assets and liabilities are as follows:

31 December 2020	USD (000)	EUR (000)	GBP (000)	AUD (000)	TL
Banks	240	195	489	-	8.389
Factoring receivables (*)	41.536	88.469	4.470	-	1.146.260
Other (**)	21	55	-	-	655
Total assets	41.797	88.719	4.959	-	1.155.304
Factoring payables (***)	76	266	78	-	3.729
Funds borrowed	28.371	86.743	4.620	-	1.035.572
Other payables	-	119	67	-	1.571
Total liabilities	28.447	87.128	4.765	-	1.040.872
Balance sheet position	13.350	1.591	194	-	114.432
Derivative Transactions, Off balance sheet position	(11.000)	-	-	-	(80.746)
Net foreign currency position	2.350	1.591	194	-	33.686

(*) As of 31 December 2020, other foreign currency indexed assets amounting to TL 5 are classified in TL column in the accompanying financial statements.

(**) As of December 31, 2020, foreign currency indexed miscellaneous payables amounting to TL 18 are classified in TL column in the accompanying financial statements.

31 December 2019	USD (000)	EUR (000)	GBP (000)	AUD (000)	TL
Banks	751	238	99	16	6.879
Factoring receivables (*)	33.756	59.826	1.698	-	611.602
Other (**)	37	3	-	-	243
Total assets	34.544	60.067	1.797	16	618.724
Factoring payables (***)	14	115	33	-	1.104
Funds borrowed	15.710	33.405	1.576	-	327.744
Other payables	66	81	5	-	970
Total liabilities	15.790	33.601	1.614	-	329.818
Balance sheet position	18.754	26.466	183	16	288.906
Derivative Transactions, Off balance sheet position	(18.200)	(26.500)	-	-	(284.353)
Net foreign currency position	554	(34)	183	16	4.553

(*) Foreign currency indexed factoring receivables amounting to TL 3.385 are presented in TL column in the accompanying financial statements as at 31 December 2019.

(**) Foreign currency indexed other assets amounting to TL 110 are presented in TL column in the accompanying financial statements as at 31 December 2019.

(***) Foreign currency indexed factoring payables amounting to TL 14 are presented in TL column in the accompanying financial statements as at 31 December 2019.

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37. 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 2020				
15% change of the USD against TL				
1- Net USD asset/liability	14.699	(14.699)	14.699	(14.699)
2- Hedged portion of TL against USD risk (-)	(12.112)	12.112	(12.112)	12.112
3- Net effect of USD (1+ 2)	2.587	(2.587)	2.587	(2.587)
15% change of the Euro against TL				
4- Net Euro asset/liability	2.150	(2.150)	2.150	(2.150)
5- Hedged portion of TL against Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	2.150	(2.150)	2.150	(2.150)
15% change of other currencies against TL				
7-Net other currencies asset/liability	290	(290)	290	(290)
8-Hedged portion of TL against other currency risk (-)	-	-	-	-
9-Net effect of other currencies (7+8)	290	(290)	290	(290)
TOTAL (3+6+9)	5.027	(5.027)	5.027	(5.027)

(*) Includes profit/loss effect.

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37. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(e) Currency risk management (Continued)

	Profit / (Loss)		Equity ^(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
31 December 2019				
15% change of the USD against TL				
1- Net USD asset/liability	16.710	(16.710)	16.710	(16.710)
2- Hedged portion of TL against USD risk (-)	(16.217)	16.217	(16.217)	16.217
3- Net effect of USD (1+ 2)	493	(493)	493	(493)
15% change of the Euro against TL				
4- Net Euro asset/liability	26.402	(26.402)	26.402	(26.402)
5- Hedged portion of TL against Euro risk (-)	(26.436)	26.436	(26.436)	26.436
6- Net effect of Euro (4+5)	(34)	34	(34)	34
15% change of other currencies against TL				
7-Net other currencies asset/liability	213	(213)	213	(213)
8-Hedged portion of TL against other currency risk (-)	--	--	--	--
9-Net effect of other currencies (7+8)	213	(213)	213	(213)
TOTAL (3+6+9)	672	(672)	672	(672)

^(*) 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.

As at 31 December 2020 and 31 December 2019, the interest rate profile of the Company’s interest-bearing financial instruments is as follows:

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37. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(f) Interest risk management (Continued)

Interest Position Table

	31 December 2020	31 December 2019
<i>Fixed rate instruments</i>		
Financial assets:		
Banks	22.369	7.876
Factoring receivables	3.598.387	2.640.815
Financial liabilities:		
Funds borrowed	3.223.650	1.886.196
Debt securities issued	643.248	-
Payables from leasing	884	309
<i>Variable rate instruments</i>		
Financial assets:		
Factoring receivables	821.413	537.908
Financial liabilities:		
Funds borrowed	268.690	1.063.748

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 8.214 (31 December 2019: TL 5.379).
- Interest expense from variable rate loans will increase by TL 2.687 (31 December 2019: 10.637 TL).

(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.

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 24.430 increase / (decrease) (31 December 2019: TL 6.311).

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37. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(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.

As of December 31, 2020 factoring receivables amounting to TL 734.351, which is approximately 17% of total factoring receivables, is granted to a single risk group (As of December 31, 2019 factoring receivables amounting to TL 1.003.912, which is approximately 32% of total factoring receivables). Since the mentioned risk group has a high portion in the total factoring receivables of the company, the company is exposed to concentration risk.

Sectoral allocation of factoring receivables is as follows:

	31 December 2020	31 December 2019
	(%)	(%)
Motor vehicles	24,60	37,29
Energy, gas, water and petroleum resources	18,28	12,49
Wholesale and Retail	10,88	8,32
Machinery equipment	8,13	12,45
Financial Institutions	7,64	4,81
Build	7,46	3,55
Textile	4,97	1,90
Chemical, Plastic and Pharmaceutical Industry	3,97	1,58
Metal industry	3,84	6,62
Transportation	2,54	4,44
Glass, Tile, Cement	2,47	1,25
Food, Soft Drink, Drink	1,25	0,98
Fishery	1,13	0,64
Forest Products, Paper, Wood	0,6	0,62
Computer and Related Activities	0,54	0,35
Health	0,24	0,16
Tourism	0,15	0,38
Manufacturing Industry	0,07	1,59
Other	1,24	0,58
	100,00	100,00

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37. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(h) Credit risk management (Continued)

As at 31 December 2020, exposure to credit risk based on categories of financial instruments is as follows:

31 December 2020	<u>Factoring Receivables</u>			Financial assets at fair value through profit or loss
	Related party	Other party	Deposits at banks	
Exposure to maximum credit risk as at reporting date (*)	5.528	4.414.272	22.369	7.420
- The portion of maximum risk covered by guarantee	-	1.354.084	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	5.528	4.377.420	22.369	7.420
- The portion covered by guarantee	-	1.354.030	-	-
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	-	54	-	-
- The portion covered by guarantee	-	54	-	-
D. Net carrying value of impaired assets	-	36.798	-	-
- Overdue (gross carrying value)	-	227.049	-	-
- Impairment (-)	-	(190.251)	-	-
- Covered portion of net carrying value (with letter of guarantee etc) (**)	-	224.629	-	-
- 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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37. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(h) Credit risk management (Continued)

As at 31 December 2019, details of exposure to credit risk based on categories of financial instruments are as follows:

31 December 2019	<u>Factoring Receivables</u>			Financial assets at fair value through profit or loss
	Related party	Other party	Deposits at banks	
Exposure to maximum credit risk as at reporting date (*)	15.029	3.163.694	7.876	146
- The portion of maximum risk covered by guarantee	-	1.332.781	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	15.029	3.144.703	7.876	146
- The portion covered by guarantee	-	1.332.765	-	-
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	-	16	-	-
- The portion covered by guarantee	-	-	-	-
D. Net carrying value of impaired assets	-	18.975	-	-
- Overdue (gross carrying value)	-	227.541	-	-
- Impairment (-)	-	(208.566)	-	-
- 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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37. 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 2020

<u>Contractual Maturities</u>	<u>Carrying Amount</u>	<u>Contractual Cash Inflows/(Outflows) (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	1.684	1.684	1.684	-	-	-
Banks	22.369	22.369	22.369	-	-	-
Factoring receivables	4.419.800	4.539.280	3.475.710	1.045.567	18.003	-
	4.443.853	4.563.333	3.499.763	1.045.567	18.003	
Factoring payables	9.732	9.732	9.732	-	-	-
Funds borrowed	3.492.340	3.546.576	3.209.769	336.807	-	-
Debt securities issued	643.248	648.340	648.340	-	-	-
Payables from leasing	884	993	165	394	434	-
	4.146.204	4.205.641	3.868.006	337.201	434	

The Company makes payments based on contractual maturities.

31 December 2019

<u>Contractual Maturities</u>	<u>Carrying Amount</u>	<u>Contractual Cash Inflows/(Outflows) (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>
Banks	7.876	7.876	7.876	-	-	-
Factoring receivables	3.178.723	3.232.407	2.847.527	381.756	3.124	-
	3.186.599	3.240.283	2.855.403	381.756	3.124	
Factoring payables	2.855	2.855	2.855	-	-	-
Funds borrowed	2.949.944	2.998.252	2.635.723	362.343	186	-
Debt securities issued	-	-	-	-	-	-
Payables from leasing	309	342	83	154	105	-
	2.953.108	3.001.449	2.638.661	362.497	291	

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37. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(i) Liquidity risk management (Continued)

The following table details the maturities of derivative financial assets and liabilities as at 31 December 2020 and 31 December 2019.

31 December 2020

<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	88.246	88.246	88.246	-	-	-
Derivative cash outflows	80.746	80.746	80.746	-	-	-

31 December 2019

<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	284.710	284.710	284.710	-	-	-
Derivative cash outflows	284.353	284.353	284.353	-	-	-

(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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37. 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.

	Financial assets and liabilities held for trading	Financial assets Measured at amortized cost	Loans and receivables	Financial liabilities Measured at amortized cost	Carrying amount	Fair Value	Notes
31 December 2020							
Cash and Cash Equivalents	-	22.369	-	-	22.369	22.369	4
Banks	-	22.369	-	-	22.369	22.369	4
Financial Assets at Fair Value Through Profit or Loss	7.420	-	-	-	7.420	7.420	4
-Financial Assets	1.684	-	-	-	1.684	1.684	5
-Derivative financial assets	5.736	-	-	-	5.736	5.736	6
Factoring receivables and non-performing factoring receivables	-	-	4.419.800	-	4.419.800	4.419.800	8
Financial liabilities							
Derivative financial Liabilities	-	-	-	-	-	-	18
Factoring Payables	-	-	-	9.732	9.732	9.732	8
Other liabilities	-	-	-	2.284	2.284	2.284	19
Funds borrowed	-	-	-	3.492.340	3.492.340	3.492.340	15
Debt securities issued	-	-	-	643.348	643.348	643.348	17

	Financial assets and liabilities held for trading	Financial assets Measured at amortized cost	Loans and receivables	Financial liabilities Measured at amortized cost	Carrying amount	Fair Value	Notes
31 December 2019							
Cash and Cash Equivalents	-	7.876	-	-	7.876	7.876	4
Banks	-	7.876	-	-	7.876	7.876	4
Financial Assets at Fair Value Through Profit or Loss	-	-	-	-	-	-	4
-Financial Assets	-	-	-	-	-	-	4
-Derivative financial assets	146	-	-	-	146	146	6
Factoring receivables and non-performing factoring receivables	-	-	3.178.723	-	3.178.723	3.178.723	8
Financial liabilities							
Derivative financial Liabilities	3.116	-	-	-	3.116	3.116	18
Factoring Payables	-	-	-	2.855	2.855	2.855	8
Other liabilities	-	-	-	1.626	1.626	1.626	19
Funds borrowed	-	-	-	2.949.944	2.949.944	2.949.944	15
Debt securities issued	-	-	-	-	-	-	17

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37. ADDITIONAL INFORMATION ON FINANCIAL INSTRUMENTS (Continued)

(k) Fair value hierarchy of Financial Instruments

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 2020	Level 1	Level 2	Level 3	Total
Financial Assets at Fair Value Through Profit / Loss	1.684	-	-	1.684
Derivative financial assets	-	5.736	-	5.736
Financial assets at fair value through other comprehensive income	164.904	-	-	164.904
Total financial assets carried at fair value	166.588	5.736	-	172.324
Derivative financial liabilities	-	-	-	-
Total financial liabilities carried at fair value	-	-	-	-

*As of December 31, 2020, shares amounting to TL 2.039 are reflected in the financial statements with their cost values since there are no public shares.

31 December 2019	Level 1	Level 2	Level 3	Total
Financial assets held for trading	-	146	-	146
Derivative financial assets held for trading	44.799	-	-	44.799
Total financial assets carried at fair value	44.799	146	-	44.945
Derivative financial liabilities held for trading	-	-	-	-
Total financial liabilities carried at fair value	-	-	-	-

*As of December 31, 2019, shares amounting to TL 2.725 are reflected in the financial statements with their cost values since there are no public shares.