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**CONVENIENCE TRANSLATION INTO ENGLISH
OF THE INDEPENDENT AUDITOR'S REPORT
ORIGINALLY PREPARED AND ISSUED IN TURKISH**

To the Board of Directors of Optima Faktoring A.Ş.;

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

The Company's management is responsible for the preparation and fair presentation of these financial statements in accordance with Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation which includes "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies" published in the Official Gazette numbered 28861 dated 24 December 2013 and "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies", communiqués, and circulars and, announcements made by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our audit was conducted in accordance with Standards on Independent Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA"). Those standards require that ethical requirements are complied with and that the audit is planned and performed to obtain reasonable assurance whether the financial statements are free from material misstatement.

An independent audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on independent auditor's professional judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to error or fraud. In making those risk assessments, the independent auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An independent audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the company's management, as well as evaluating the overall presentation of the financial statements.

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

PwC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
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Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Optima Faktoring A.Ş. as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with BRSA Accounting and Reporting Legislation.

Report on Other Legal and Regulatory Requirements

In accordance with subparagraph 4, Article 402 of the Turkish Commercial Code ("TCC") No. 6102; no significant matter has come to our attention that causes us to believe that the Company's bookkeeping activities for the period 1 January - 31 December 2016 are not in compliance with the TCC and provisions of the Company's articles of association in relation to financial reporting.

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

Additional Paragraph for Convenience Translation

The effects of differences between accounting principles and standards explained in detail in Note 2 and accounting principles generally accepted in countries in which the accompanying financial statements are to be distributed and International Financial Reporting Standards ("IFRS") have not been quantified in the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Didem Demer Kaya, SMMM
Partner

Istanbul, 9 March 2017

Agenda of the Ordinary General Assembly :

1. Opening and the election of the meeting chairmanship and giving authority to the meeting chairmanship to sign the minutes of the General Assembly meetings,
2. Reading the Annual Activity Report of the Board of Directors about 2016 activities,
3. Reading and discussion of the 2016 Independent Auditor Report,
4. Reading and discussing the Balance Sheet and Profit/Loss statements for the 2016 accounting period and submitting them for approval,
5. Discussing and submitting for acceptance and approval of the issue of release of the Board members relating to the Company's activities for the year 2016, with the Board Member not participating in the voting relating to their own release,
6. Submitting for approval of the issue of re-election of the members of the Board of Directors to serve for a term of 3 years
7. Discussing the proposal of the Board of Directors regarding the distribution of profits and the manner of usage of profits in 2016, and submitting it for approval,
8. Discussing the proposal to assign PWC Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. as the Company's independent audit company for the year 2017 to perform independent audit of the Company for the year 2017, and submitting it for approval,
9. Discussing the wages to be paid to Board Members and submitting it for approval,
10. Discussing and submitting for approval of the issue of the issuance of all kinds of Bonds, Financing Bills or any other borrowing instruments to be accepted in the legislation within the framework of the provisions of the Turkish Commercial Code, Capital Markets Law and other applicable legislation, and authorizing the Board of Directors to perform the issuance transactions,
11. Informing the General Assembly on the aid granted by the Company in 2016 to various Institutions and Organizations,
12. Discussing the issue of authorizing the members of the Board of Directors according to Articles 395 and 396 of the Turkish Commercial Code, and submitting it for approval,
13. Remarks, wishes and closing.

Amendment in Articles of Association;

There has been no amendment in the Articles of Association in 2016.

OptimaFaktoring;

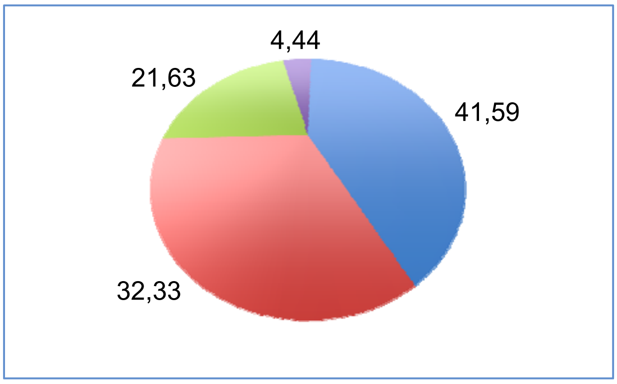
All of our colleagues, who are our talented, experienced and innovative human resources, is the most important treasure of our corporation.

Optima is a service provider that offers domestic factoring services for SMEs and micro-enterprises and stands out with its reputation and steady success.

Established in 1996, Optima's shareholding structure changed in 2005 and 2010, and took its final form in 2013. With its robust financial structure, high credibility and customer-focused work-flow, Optima is strengthening its market position with its balanced customer portfolio operating in different sectors.

Shareholding Structure

Strong shareholders, high credibility...



Optima Faktoring A.Ş. Real Person Final Stakeholders

Shareholders	Share Rate (%)
Murat Başer	41.59
Neslihan Bayraktaroğlu	32.33
Hasan Başer	21.63
Mediha Başer	4.44
Total	**100.00**

Optima Faktoring A.Ş. Shareholding Structure

Shareholders	Paid-in capital (thousand TL)	Share Rate (%)
A.B. Holding A.Ş.	19,693	98.46
Murat Başer	244	1.22
Mediha Başer	31	0.15
Neslihan Bayraktaroğlu	31	0.15
Hasan Başer	>0	0.01
Total	**20,000**	**100.00**

A.B. Holding A.Ş. Shareholding Structure

Shareholders	Paid-in capital (thousand TL)	Share Rate (%)
Murat Başer	2,246	41.59
Neslihan Bayraktaroğlu	1,746	32.33
Hasan Başer	1,168	21.63
Mediha Başer	240	4.44
Total	**5,400**	**100.00**

The Company applies the “Regulation on Accounting Applications and Financial Statements of Financial Leasing, Factoring and Financing Companies” published by the BRSA (Banking Regulation and Supervision Agency) in the Official Gazette dated December 24, 2013 and numbered 28861. In addition to this, the Company sets aside general provisions over the factoring receivables in accordance with the contingency principle taking into account all the data about the credit worthiness of borrowers for factoring receivables and the collection statistics of the Company and the kind of security. Therefore, the Company’s capital is clearly reflected in the financial statements.

Vision

Become a leading firm that helps development of the factoring sector and that fulfils the financing needs of SMEs most effectively.

Mission

Continuously increase and raise the values we add to our customers, employees, shareholders and the society through our corporate identity and leadership.

Corporate Strategy

Optima's vision is to be the leading institution that provides the development of the factoring sector and the financing needs of SMEs in the most efficient way. The mission is always to improve and raise the values we have contributed to in our customers, our employees, our shareholders and our society through our corporate structure and leadership.

Our Strategies;

- To be a company that makes a difference with its quality human resources, fast and efficient processes and service quality,
- To use technology effectively and increase efficiency by making non-stop investment in technology infrastructure,
- To offer services tailored to the needs of customers via innovative products and customized corporate solutions,
- To ensure that our strategies that are based on profitable growth, service quality, employee satisfaction principles as well as market data and customer requirements are effectively maintained, monitored, improved and an interactive communication is adopted among employees.

Within the framework of these strategies, annual budgets are made and submitted to the approval of the Board. Target out-turns and developments are monitored continuously by the meetings of the Assets Liabilities Committee organized weekly by the company management and by the budget meetings held every two months under the chairmanship of the General Manager.

The Board of Directors assesses the realization of the Company's strategic objectives by discussing them quarterly at board meetings. The Management can follow up the developments instantly through the management reporting infrastructure and systems.

Service Definition and Scope

Optima provides factoring services under "the Code of Financial Leasing, Factoring and Finance Companies" published on the Official Gazette No. 28496, dated 13.12.2012 and "Regulation of Establishment and Operation Principles of Financial Leasing, Factoring and Finance Companies" of BRSA and published on the Official Gazette No. 28627, dated 24.04.2013.

Factoring is a financial offering where financing, guarantee and collection services are provided through taking assignment of future receivables of companies which have arisen or will arise from sales of goods and services based on an invoice or a document replacing the invoice.

Factoring has become an indispensable instrument in the free market economy as an innovation that facilitates commercial life, especially after 1980s.

Optima offers financing and collection services based on domestic sales to small and medium sized enterprises (SMEs) by taking over by way of assignment the future receivables arising from the sale of goods and services. Optima's domestic factoring operations can be secured, revocable and without notification, and can be provided with notification even though in a small number of cases.

Milestones

2015

- Paid-in Capital raised to 20,000,000 TL.

2012

- The title of “Optima Factoring Hizmetleri A.Ş.” was amended as “Optima Factoring A.Ş.”
- The credit rating score was upgraded by one level and improved to BBB (tur).

2008

- Fitch Ratings started to rate the company and the company received a BBB-(tur)

2005

- Shareholding structure was changed and Hasan Başer Family achieved an active position.

1996

- Optima was Established

SUSTAINABILITY POLICY

Our Sustainability vision

To use our experience and knowledge we have developed in 21 years; to contribute in economy, environment and society; to produce permanent values for our stakeholders, and to be a competitive company based on sustainable profitability and efficiency principles.

Our sustainability goal

To further improve the Company's strong position in the national market and global competitiveness by increasing the medium and long-term leverage impact to be put forward by the Change and Transformation Project, which will be carried out through corporate sustainability practices under this policy.

Our sustainability approach

Our sustainability approach; takes form in line with our responsibilities as a financial service provider, our liabilities against the society and with our duties as an employer.

- Optima is a strong, leading and trusted company. We would like to extend this accomplishment in economic sustainability to the future by supporting it from a long-term environmental and social sustainability perspective.
- In our decision-making processes, we take a careful and diligent approach to environmental and social issues and the potential risks associated with managing our resources and service infrastructure.
- We regard environmental sustainability as an important agenda item, including climate change and transition to the low carbon economy.
- As an Employer, we believe in the importance of human-focused working conditions. In our business model, we are committed to providing equal opportunity to all our employees, and we see the differences in our workforce as Optima's diversity and support them.
- As a service provider, we see customer focus and customer satisfaction in the core of everything. Our goal is to present Factoring products and services to all our customers in practical, understandable and accessible formats and to enrich the sector with new model practices.
- We support the success of our suppliers with the projects we have completed as business partners.
- As a business partner, we are committed to improving our relationships with suppliers on the basis of mutual respect, responsibility and fair sharing.
- We are committed to constantly developing and fostering a vision of integrating globally accepted principles of sustainability with our business model.
- We attach great importance to participating in multilateral sustainability initiatives and cooperation platforms at national and international level and to undertake active duties. With these motivations, we are focused on expanding, developing and maintaining sustainability throughout our value chain.
- Our Sustainability structure has been started to be implemented under our sustainability plan structured under the auspices of Optima Board of Directors and a

simple and effective organizational structure.

- Optima's sustainability practices are carried out under the leadership of the General Manager.
- The Optima Corporate Governance Committee is responsible for the coordination of sustainability activities.
- Sustainability activities are followed up by the Corporate Governance Committee.

Our dialog with stakeholders

Optima's long-term success depends on the trust and ongoing choice of its stakeholders. Sustainability projects that we will implement will play a role in strengthening this trust and loyalty.

- Our employees are one of the most important stakeholder groups. We support our employees to adopt Optima's sustainability approach and commitments and take initiatives.
- We regard training and improvement of our employees as an important element of the milestones we aim to achieve in sustainability. In our journey of change and transformation, we aim to continue our investments in training for the continuous development of human resources.
- Our customers constitute the constant reason of our existence. Our goal is to continue to improve customer satisfaction and loyalty by offering value proposition, strong products and services in global competition conditions through all of Optima's service channels.
- We will continue to meet our customers on platforms of cooperation and awareness. We regard efforts to increase financial literacy and sustainability awareness as a requirement of our social responsibility.
- Developing mutually beneficial relationships with our suppliers is another priority. We care and encourage that our suppliers adopt universally accepted principles and practices in their sustainability issues.
- We believe in open communication based on mutual respect with our stakeholders. In stakeholder communication, we focus on sharing our developments in environmental and social matters as well as in our economic performance, through a transparent approach.
- We believe that the success of corporate sustainability practices will enhance the Company's performance in sustainability indices.

Environment and Optima

Our goal as the owner and the biggest employer of the most widespread physical service network in the factoring sector in Turkey is to control our direct and indirect environmental impacts, manage them with the right strategies and technologies and constantly improve them.
Within this scope;

- We will continue our efforts to measure and reduce greenhouse gas emissions produced during the service cycle.
- We are striving to construct the physical elements that constitute our service network under the principle of efficient use of all natural resources, especially energy.
- We are committed to full compliance with legally defined

environmental standards in Turkey, as well as the widespread adoption of global best practices and standards, and we aim to continue our work within this multi-faceted dialogue with our stakeholders.

- We care about and encourage that our customers and suppliers' awareness about the environment is increased and efforts that will add value to environmental sustainability are disseminated.

Contribution to society and Optima

We prove our contribution to society by offering factoring services with 62 employees at a total of 8 locations, 4 of which are in Istanbul, as of the end of 2016. We will continue to add value to the society and support social development with a multifaceted approach, and with activities that will have widespread social impact.

Our products and services

Optima takes environmental and social considerations into account in responding to changing customer demands and expectations efficiently, delivering correct value proposition at correct time and to correct customers and evaluating new business opportunities offered by the markets.

Within this scope; We continue to support the financing needs of SMEs that are the core of our corporate mission most efficiently. We will continue to contribute to the SMEs which we believe to have an important place in our national economy.

In Summary;

Optima's sustainability principles, which have been proven to have an important place in the sector for 21 years in the past, come from our passion to add value to our country.

In the light of the general framework determined in the sustainability policy, Optima; is determined to continue its growth as a company that is competitive, strong, market-worthy, integrated with the world with sustainable profitability and efficiency. To this end, we are on the way to becoming a brand in the field of corporate sustainability by continuously improving our sustainability performance through transparency, accountability, compliance with laws, commitment to ethical principles and risk management principles.

Message from the Chairman of the Board

Dear Shareholders;

As Optima, we continue to work with the strength we derive from you, in order to realize our growth targets.

We attach importance to our strategies, our risk management systems and our liquidity situation in order to successfully overcome economic and geopolitical fluctuations.

We will keep reminding our colleagues, our stakeholders and our customers fearlessly and constantly that reliability is our indispensable goal within the framework of our sustainable growth strategies and it is essential to comply with our principles of superior business ethics and honest working in this direction.

When we take the problems in the global economy and the increasing geopolitical risks surrounding Turkey into consideration, Turkey is still one of the countries that have accomplished growth even if its growth speed has eased down. I believe that 2017 will be much better than 2016 in terms of Turkish economy.

We have achieved many goals in many fields in 2016 through the decisions we have taken in our corporate history of 21 years, our principles brought by these decisions, strong equity, strong asset quality and IT infrastructure. Optima, which has been cautiously and dynamically come to these days, will continue its controlled growth in 2017 as well.

Our assurance in reaching our targets is the constantly strengthened corporate structure, qualified management and self-sacrificing staff.

I would like to express my deepest gratitude to all our partners and employees for their contributions to the Optima family and for their efforts, and wish health and prosperity for 2017.
I would like to thank all of our employees, business partners, customers and shareholders for their contribution to the successful results Optima has achieved in 2016.

Best Regards,

Hasan Başer
Chairman of the Board

Message from the General Manager

In 2016, macroeconomic risks increased with the increase in both domestic and foreign uncertainties and concerns over growth in the global economy.

In this period of harsh cyclical fluctuations, we took an active role more than ever and continued to work in a customer-focused manner by visiting our customers at their premises, listening to them and offering financial services on time. Despite the difficult conditions, we have completed this challenging year by maintaining our position. We have made great efforts not to be influenced by the reflections of the adverse developments in the agenda of the world and the country.

While we work on contributing to the stable and sustainable development of our country, we also contribute to the strengthening of the country's economy with the financing we provide to SMEs, departing from the fact that the major problems are capital inefficiency and access to financial resources.

Our goal is always to be worthy of the appreciation of all our stakeholders, whether it be our customers or our shareholders, both with our financial performance and the work we carry out as part of our corporate responsibility.

I would like to express my sincere gratitude and respect to all of our employees who have contributed to Optima's achievements and goals for the future, and especially our customers, all our stakeholders and our shareholders for their constant support and trust in our company.

Best Regards,

Emine Bingül
General manager

Overview of 2017

"The number of our customers relying on Optima entrusting with their trade receivables, and their business volumes continue growing every year."

The factoring industry has been one of the most important industries contributing to the economy. The developments in the markets can affect the sector both directly and indirectly. In fluctuation times, confidence indices of both the consumer and the real sector may decline, and therefore consumption, investment and employment decisions may be postponed. All of this can negatively impact the growth of the sector, negatively affecting its asset quality.

Our strategy is to quickly adapt to the conditions, to control the pricing dynamically, to manage the balance with risk parameters, to survive the turbulent times with minimal damage.

A stable stance will continue to be exhibited in 2017 as well, together with our customers.

Optima believes that financial support should be provided to SMEs in order to increase their global competitiveness, and this segment will continue to be in line with customers in 2017.

Optima's 2016 Annual Activities

For profitability and efficiency without compromising on quality...

Optima keeps a steady growth line.

Domestic demand, which was exacerbated by macroeconomic policies in 2016, led to a contraction in the economic activity and trade cycle. High interest rates and exchange rates during the year and inflation which had an upward tendency, made factoring an important solution for SMEs' growing business capital needs.

Optima, which provides solutions to its customers with a service provider identity that does not compromise on profitability and productivity, continued its cautious growth strategy in line with the targets it set in 2016 and its transaction volume decreased by 21.12% to 526 million TL and total factoring receivables amounted to 163 million TL. Average factoring receivables decreased by 8% to 160 million TL.

Maintaining its active marketing efforts and further expanding its service platform with its 8 branches, Optima has provided 995 new customers to its portfolio in 2016. As of the end of the year, the active customer figure was set at 1.365.

Optima's factoring revenues in 2016 increased by 2% to 42 million TL. Net profit for the period was 4.9 million TL.

Optima's total asset size was 161 million TL at the end of 2016.

Widespread customer profile, balanced portfolio

Optima maintains a high quality and sound portfolio structure that can sustain the growth cycle and is formed by the companies that have high solvency and creditworthiness. In the customer portfolio, which is formed on the basis of risk inclusion, concentrating on sector and customer basis is avoided.

The sectoral distribution of factoring receivables shows that construction/construction sub-segments account for the largest share with 51%, while the sub-sectoral distribution of receivables also maintains a widespread outlook.

Optima continues to support the growth and development of SMEs, which are regarded as locomotives of the economy. The customer base of the company is formed in a structure expanding from medium-sized enterprises towards micro enterprises.

Optima's loan portfolio outlook reveals its asset quality, shows that it keeps on growing on a solid basis and reinforces its competitive power.

In Optima:

- Appropriate policies and procedures have been developed for the assessment, monitoring and management of risk exposures that may be exposed and effective internal control systems have been established.
- The review and reporting of risk management and internal control systems are organized in accordance with the corporate structure of the Company and are monitored by the Credit Risk Monitoring and Audit Committees.

Customer segmentation is determined by measuring market risks through a reliable and healthy risk management system and calculating market risks and is subject to a new action plan against scenarios that can occur by calculating the possible negative changes in the value of the portfolio.

As a result of prudent lending policy and effective risk management, Optima's average loan-to-value ratio at the end of 2016 is 3.01% (2015, 2.55%).

The average contract term in 2016 is about 101.80 days. (2015 100.87)

Our competent team is our source of strength.

Optima believes that competent human resources are involved at the basis of differentiation in a competitive environment. With this approach, the company establish human resources policies and practices on the basis of the creation and maintenance of a team of experts the company believes in their development potential, who are open to change and innovation, believe in teamwork, produce added value to the institution, customers and the industry.

Young, dynamic and future-oriented human resources is the assurance of Optima for the development of corporate culture and the improvement of quality service criteria. On the other hand, having a loyal human resources is an important feature in terms of Optima's steady development and keeping its well-established corporate tradition.

As of 31.12.2016, the average age of the staff in Optima, which consists of 62 people, is 38.

51% of the employees are female, 49% are male, 56% are Bachelor's degree holders (11% have Master's degree), while 44% are 2-year college graduates. All top managers have previously worked in a financial institution.

Optima supports career planning and personal development practices with regular training activities in order to strengthen its competent staff.

- The staff have been trained on Internal Intelligence and Financial Analysis - Financial Statement Assessment and Credit Analysis.
- Participation of employees in vocational training provided by the Financial Institutions Association has been ensured.
- All staff have received training to be informed on the latest developments in MASAK and BRSA.

Research and Development Activities

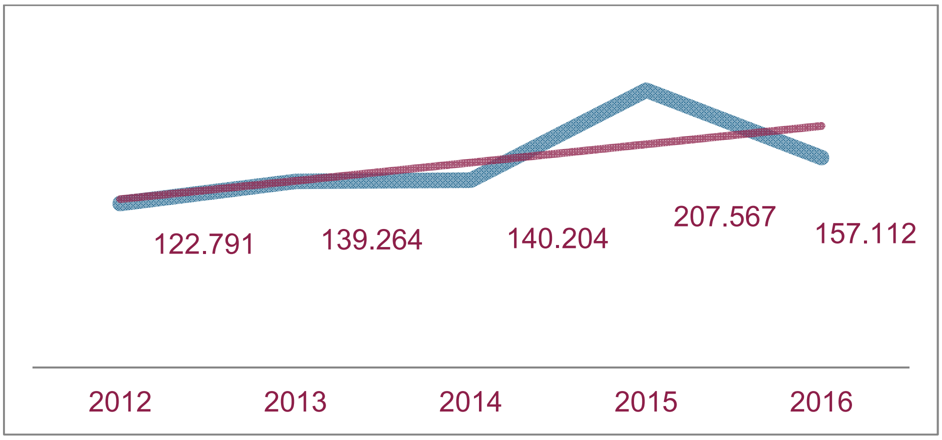
In line with Optima's objectives, the efficiency efforts and activities to eliminate the audit findings have been planned and carried out by setting of priorities for 2016 by IT Committee. These activities include redesigning the domestic operations processes and complying with legal requirements (e-invoices, e-books, etc.), invoice registration center project, systematic improvements in credit processes, infrastructure development, designing and production of new modules. Through 2016, it is aimed to be able to address all business lines within the scope of productivity, and systematic improvements are introduced based on this target.

Our goal is to contribute to a better future.
Optima evaluates sustainability in the context of economy, society, environment, aims to create value through its business processes and projects and activities.

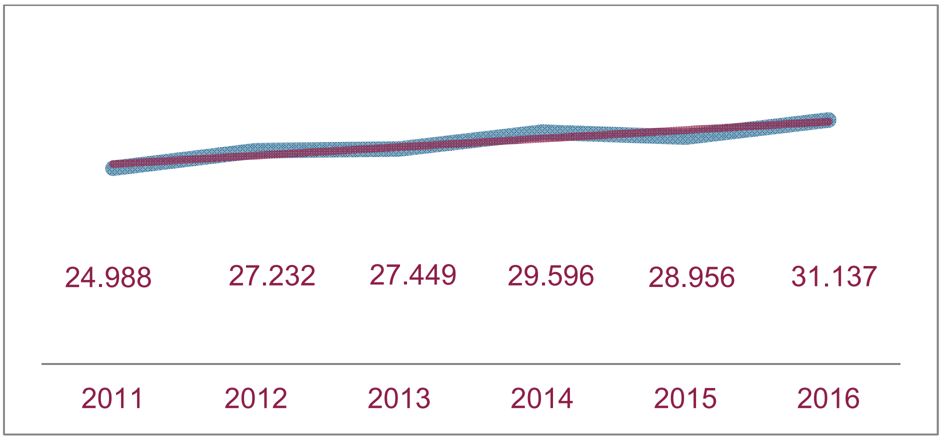
In order to develop more environmentally friendly processes within Optima, infrastructure works have been conducted and concluded in 2016 to move towards e-book and paperless media applications. The program called Life Cycle was purchased from U&G Danışmanlık A.Ş. and paperless media practices were launched. Research has been done on new software related to the creation and development of all existing and needed reports in electronic environment. The actions are currently being taken to make communication with customers (invoice etc.) online.
Optima adopts a corporate social responsibility strategy that fits society expectations, supports economic growth and promotes social development. Optima aims to contribute to education and culture through its social investments that are not only aimed at profit but also contributing to economy through its services.

Key Financial Indicators

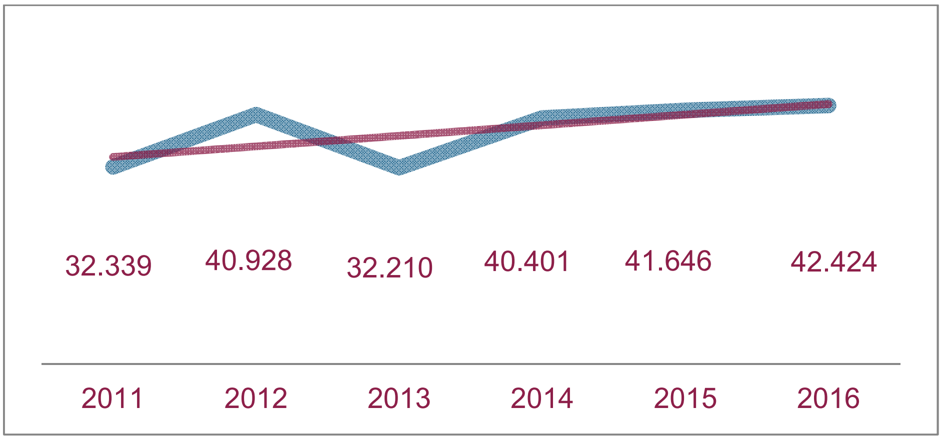
Solid financial structure, successful results …



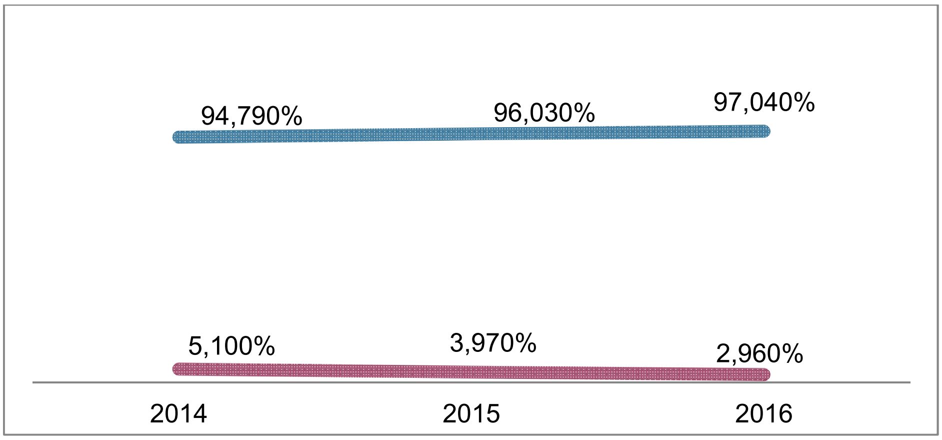
Assets (thousand TL)	2012	2013	2014	2015	2016
Liquid Assets and Banks	1.135	1.992	2.584	268	67
Factoring Receivables (Net)	122.791	139.264	140.204	207.567	157.112
Tangible Fixed Assets (Net)	1.078	1.123	1.058	1.060	1.284
Others	5.086	4.023	553	1.139	1.196
Total Assets	**131.941**	**147.614**	**146.968**	**212.983**	**161.280**



Liabilities (thousand TL)	2012	2013	2014	2015	2016
Loans From Banks	100.992	118.387	115.491	181.954	127.765
Others	805	33	29	31	63
Shareholders' equity	27.232	27.449	29.596	28.956	31.137
Total Liabilities	**131.941**	**147.614**	**146.69**	**212.98**	**161.280**



Net Profit (thousand TL)	2012	2013	2014	2015	2016
Net Interest Income	40.928	32.210	40.401	41.646	42.424
Other Income	3.560	2	936	1.148	582
Financing Expenses	17.507	11.874	16.598	20.060	20.547
Operating Expenses	11.975	13.009	13.005	13.847	12.537
Net Profit	**7.794**	**5.547**	**7.032**	**3.167**	**4.893**



Collection status of receivables	2014		2015		2016	
Collection rate of receivables	94,79%		96,03%		97,04%	
Total Checks with Issues		5,10%		3,97%		2,96%
Collection rate of receivables upon recourse	51,78%	2,70%	57,46%	2,28%	62,50%	1,85%
Legal Proceedings		**2,40%**		**1,69%**		**1,11%**
Collection ratio of receivables through legal proceedings	55,10%	1,38%	48,40%	0,82%	57,25%	0,64%
Write-off rate of receivables	44,90%	1,13%	62,40%	1,05%	42,75%	0,47%

Sectoral Outlook

In 2016, the transaction volume of the industry where 62 companies operate increased by 2.6% to 122 billion TL compared to the previous year.

The factoring sector, as a contemporary financing model, is rapidly increasing its share in turning the wheels of trade. The three main functions of the industry, which are guaranteeing the receivables, their collection and providing operational financing, are increasingly preferred by manufacturers, small-scale industries and exporting companies.

The main reasons why SMEs prefer factoring include;

- Keeping track of accounts receivable,
- Taking advantage of cash purchase from the supplier without paying the maturity difference,
- Being able to encash trade receivables before their due date,
- Guaranteeing the unsecured export receivables,
- And the possibility of obtaining business financing by collection before maturity in chain store sales.

The factoring industry, which continues its activities under the Financial Leasing, Factoring and Financing Companies Law No.6361 dated 21.11.2012 and the Association of Financial Institutions (FKB), has moved its power of influence and prevalence in the Turkish economy to an important level with its dynamic functioning in trade. The industry accelerated the increase in the market share, which it has reached in 2006 after started to be regulated by the Banking Regulation and Supervision Agency (BRSA), ever more in 2013 under the FKB framework.

In 2016, the transaction volume of the industry where 62 companies operate increased by 2.6% to 111 billion TL. 20 billion TL of the transaction volume was obtained from export factoring. It is expected that this amount will increase significantly with the Central Bank introducing to exporting companies the possibility of benefiting from the post-shipment export re-discount loan, through factoring companies.

“The asset size of the factoring industry increased by 24% compared to 2015. The share of factoring receivables in assets is 93.8%. The ratio of Bank and Cash values is 1.5%. The share of non-performing receivables is 0.7%, which is a positive indicator.

In the industry, which meets the funding requirement by its equities or short term loans obtained from banks, the ratio of loans increased by 3.5% and the ratio of equities decreased by 1.8%. The share of the loans within liabilities is around 71% and the equity ratio is 15.4%. The share of exported securities in the liabilities decreased by 2% to 10.3% compared to the previous year.

In the industry, the share of interest income in total income increased by 1.3%, while commission income decreased by 0.6%. The industry's profit margin for the year 2016 increased by 0.2% compared to the same period of the year 2015."*

The Central Invoice registration system was established within the Association and has been operational since January 1, 2015. This service provides access to the duplication control and reports of the receivables taken over. The center's infrastructure, which stands out as an important innovation in the industry and is designed to prevent double financing in invoices, was designed in cooperation with FKB and Credit Bureau.

*Source: Association of Financial Institutions

Credit Rating

Optima's credit rating by Fitch Ratings is a result of its successful operating performance, and strengthens its reputation and credibility in the national and international markets.

Fitch Ratings Credit Grade: BBB (tur)
Outlook: Stable

Year	National	Country risk		Outlook		
	Long Term Credit Grade	Foreign Currency Long Term IDR	Local Currency Long Term IDR	National Long Term Credit Rating	Country Foreign Currency Long Term IDR	Country Local Currency Long Term IDR
2016	BBB(tur)	BBB-	BBB	Stable	Stable	Stable
2015	BBB(tur)	BBB-	BBB	Stable	Stable	Stable
2014	BBB(tur)	BBB-	BBB	Stable	Stable	Stable
2013	BBB(tur)	BBB-	BBB	Stable	Stable	Stable
2012	BBB(tur)	BBB-	BBB	Stable	Stable	Stable

We ended our work with Fitch Ratings as of 16/03/2017 and made an agreement with Moody's for 2017.

Profit Distribution Policy

Optima takes into account the relevant law, legislation and market conditions in its profit distribution decision.

The Company's equity ratio, sustainable growth rate, market value and cash flows are taken into consideration while paying attention to keeping the balance between the investments required for the growth of the Company and the financing of these investments. The principles of implementation of the Dividend Distribution Policy are stated below, taking into account the provisions of the Turkish Commercial Code (TCC), tax laws and other legal regulations and Articles 29, 30 and 31 of the Company's Articles of Association.

The Company's profit distribution policy is to ensure that there are no adverse effects on the national and/or global economic conditions and that it is distributed to its shareholders, provided that the standard rates specified in the Protective Provisions contained in the Law and TCC are at the targeted level.

Profits distributed in accordance with the Articles of Association, the relevant Law, TCC and general legal regulations are not redeemable.

The Board of Directors informs the shareholders at the following General Assembly on why the dividend is not distributed, when this is the case, and where the undistributed profit is used. A consistent policy is observed between the interests of shareholders and the interests of the company in the implementation of the profit distribution policy.

OPTİMA FAKTORİNG A.Ş.
STATEMENT OF PROFIT DISTRIBUTION FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2016
(Amounts expressed in thousands Turkish Lira ("TL") unless otherwise indicated.)

		Current Period(*) (31 December 2016)	Prior Period (31 December 2015)
I.	**DISTRIBUTION OF CURRENT PERIOD PROFIT(*)**		
1.1	CURRENT PERIOD PROFIT	6,324	4,420
1.2	TAXES AND DUES PAYABLE (-)	(960)	(1,308)
1.2.1	Corporate Tax (Income Tax)	(960)	(1,308)
1.2.2	Withholding Tax	-	-
1.2.3	Other taxes and dues (**)	-	-
A.	**NET PERIOD PROFIT (1.1 - 1.2)**	**5,364**	**3,112**
1.3	PRIOR YEARS' LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVE (-)	-	158
1.5	OTHER STATUTORY RESERVES NEEDED TO BE KEPT IN THE COMPANY (-)	-	-
B	**DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3-1.4-1.5)]**	**5,364**	**3,112**
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	1,000
1.6.1	To Owners of Ordinary Shares	-	1,000
1.6.2	To Owners of Preferred Stocks	-	-
1.6.3	To Owners of Preferred Stocks(Preemptive Rights)	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Owners of the profit /loss Sharing Certificates	-	-
1.7	DIVIDEND TO PERSONNEL (-)	-	-
1.8	DIVIDEND TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	1,808
1.9.1	To Owners of Ordinary Shares	-	1,808
1.9.2	To Owners of Preferred Stocks	-	-
1.9.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Owners of the profit /loss Sharing Certificates	-	-
1.10	SECOND LEGAL RESERVE (-)	-	137
1.11	STATUS RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	-
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
II.	**DISTRIBUTION FROM RESERVES**	-	-
2.1	DISTRIBUTED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	SHARE TO SHAREHOLDERS (-)	-	-
2.3.1	To Owners of Ordinary Shares	-	-
2.3.2	To Owners of Preferred Stocks	-	-
2.3.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Owners of the profit /loss Sharing Certificates	-	-
2.4	SHARE TO PERSONNEL (-)	-	-
2.5	SHARE TO BOARD OF DIRECTORS (-)	-	-
III.	**EARNINGS PER SHARE**	-	-
		-	-
3.1	TO OWNERS OF STOCKS (TL)	0.2448	0.1616
3.2	TO OWNERS OF STOCKS (%)	24.48	16.16
3.3	TO OWNERS OF PREFERRED STOCKS (TL)	-	-
3.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-
IV.	**DIVIDEND PER SHARE**	-	-
4.1	TO OWNERS OF STOCKS (TL)	-	-
4.2	TO OWNERS OF STOCKS (%)	-	-
4.3	TO OWNERS OF PREFERRED STOCKS (TL)	-	-
4.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-
		-	-

(*) The Company's General Assembly has not been held yet.
(**) The General Assembly of the Company has not been made yet and only the distributable profit amount is stated in the profit distribution table.

Board of Directors

Hasan Başer

He was born in Malatya,Darende in 1952. He is a graduate of Business Administration Department of Adana Economic and Commercial Sciences Academy. Between 1980-2004, he worked as Marketing Manager, Assistant General Manager, General Manager and the Member of the Board of Directors in Başer Group Companies, and has been serving as the Chairman of the Board of Directors at our Company since 2004.

Murat Başer

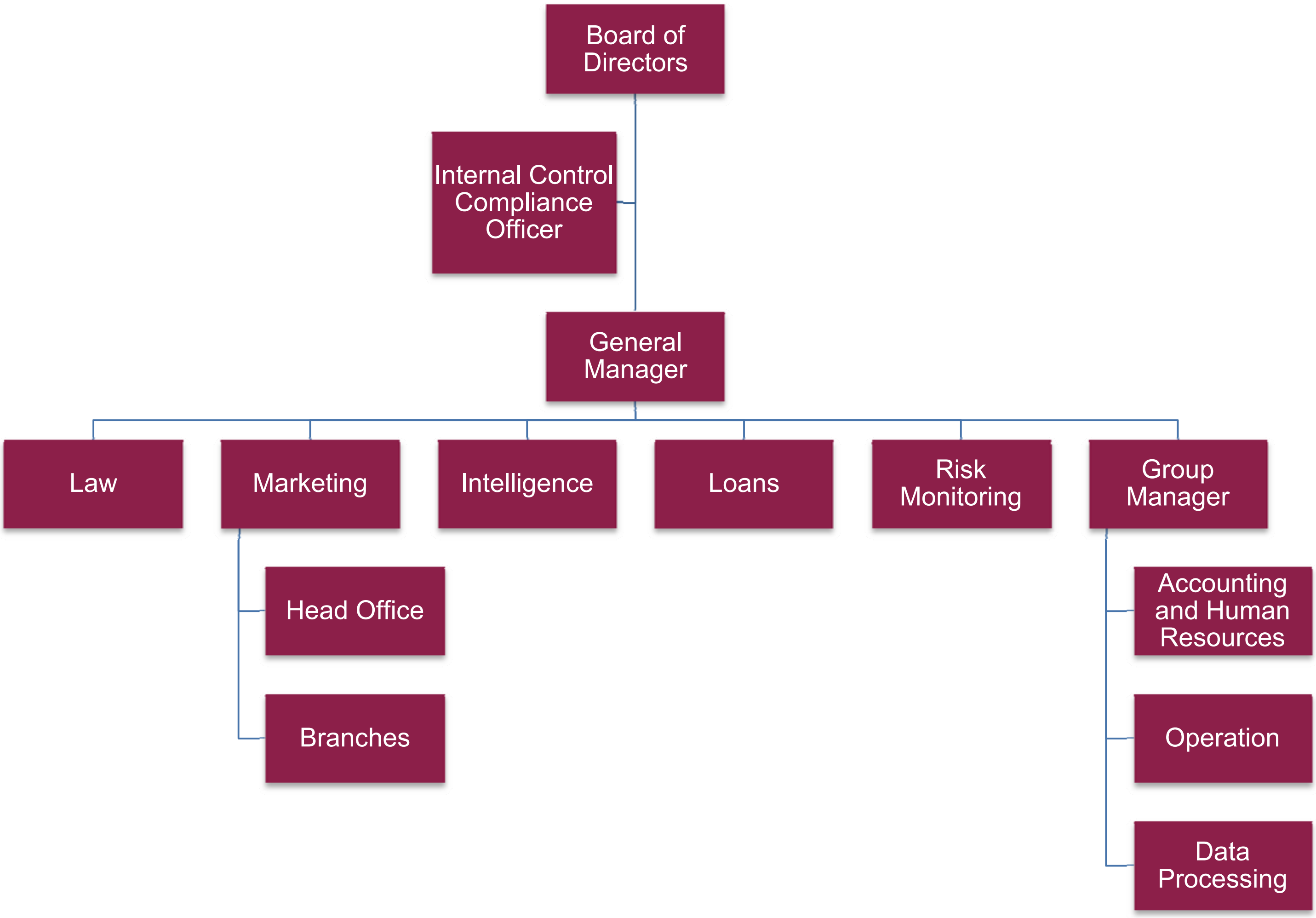
He was born in Adana in 1980. He is a graduate of George Washington University, Department of Finance and Information Technologies. After working as an auditor at Ernst and Young independent audit company, he joined our company as the Marketing Manager in 2006. He worked as the Assistant General Manager responsible for Financial Affairs and Operations during 2008-2016 and has been serving as Vice Chairman of the Board since 2010.

Emine Bingül

She was born in Duisburg/Germany in 1973. She is a graduate of Anadolu University Faculty of Economics. She earned her MBA in Okan University. After working for a while as a Chief at Pamukbank and as Marketing Manager at Destek Factoring, she started to work as the Marketing Manager at our Company in 1998. Since 2007, she has been serving as Deputy General Manager responsible for Marketing and Credits. She has been serving as General Manager since August 1, 2013.

The Board of Directors of the Company is composed of 3 members. Chairman and members of the Board of Directors; They were elected by the Ordinary General Assembly Resolution dated 17/03/2017.

Organization Chart



Committees

Audit Committee

Audit Committee, established within the Optima Board of Directors in accordance with the Capital Markets Board's Corporate Governance Principles Communiqué, provides information and suggestions to the Board of Directors on issues that are in dispute, by checking the correctness of financial reporting and whether an effective internal control and risk management culture has established or not.

The Committee makes recommendations to the Board of Directors by evaluating whether the Company management shares with the Company employees the importance of the accuracy of financial reporting, the internal control and risk management, and whether a proper control culture has been established in the Company.

It functions under the authority of the Board of Directors and is composed of at least two persons, one of whom is elected among the members of the Board of Directors, and the other of whom is to be elected among the officials at the level of at least Assistant Manager. The Audit Committee is appointed by the Board of Directors for a maximum of 3 years. Members whose terms of office come to an end can be re-elected.

The Audit Committee meeting is held at least once a year. After each meeting, the chairman of the committee presents a summary of the meeting to the Board of Directors or a written report on the activities of the committee. The decisions taken at the committee meetings are made in writing, signed by the members of the committee and kept regularly.
The Audit Committee is authorized to invite representatives of the people and organizations associated with the Company, including Company employees and affiliates, internal and external auditors (Auditors) and specialists to the meetings and to obtain information and receive external legal and professional advice when required.

The Committee ensures that internal control processes are written and updated periodically to ensure that their effectiveness is maintained.
If the accountability of the management of the company regarding the security and operation of the computer system and the computer system becomes inoperable, it monitors the crisis plans in terms of registering and protecting the transactions.

The Committee investigates whether the warnings and recommendations made by Auditors related to internal control have been put into practice. It highlights important accounting and reporting issues and legal issues that may create financial risk and investigates their impact on financial statements.

Valuation of company assets and resources; Guarantees and sureties; Fulfillment of social responsibilities;

Litigation provisions; The Committee revises the operations left to the assessment and decision of the company management in transferring into the accounting records such as other liabilities and contingent events.
It reviews and presents to the Board of Directors the significant differences between the results of the Independent Audit report and budgeted or estimated financial results. It notifies the Board of Directors in writing of the financial statements and footnotes to be disclosed, together with its own evaluations, by receiving the opinions of the Company's managers and independent auditors regarding the accounting principles followed by the Company and its conformity with the truth. Regarding financial information, it checks whether the disclosures to be made to the public are carried out in accordance with the Company's "Disclosure Policy", in particular laws and regulations.

It oversees the work of the internal control and audit department and organizational structure; It informs the Board of Directors and makes suggestions about the matters restricting or obstructing the work of the auditors.

Selection of the independent audit company, preparation of the audit contracts, initiation of the independent audit process and work of the independent audit company at every stage are carried out under the supervision of the committee. It ensures the important issues found during or as a result of the audits carried out by independent external auditors and the suggestions about the elimination of these issues are communicated to and discussed by the Committee on time.

It revises the monitoring system developed by the Company about compliance with laws and regulations; And the results of investigations and proceedings conducted by the Company management on misconduct, unfair profits, failure to comply with laws and regulations etc. including disciplinary punishment.

Regular reports and assessments are made every three months by the Company's management, legal persons or outsourced legal counselors in respect of the lawsuits filed against the Company , the provisions allocated for such lawsuits, the provisions required to be allocated, the non-contingent provisions and the total risk that may arise. It oversees the results of the audit and investigation carried out by the regulatory authorities, provides information to the Board of Directors and makes recommendations.

Customer complaints are received in writing and forwarded to the audit department. The issue is analyzed by the audit department and the report is presented to the Audit Committee.

The internal audit system and internal audit activities carried out under the principle that risk-based audit, active supervision of the Board of Directors and the Company senior management, creation and monitoring of appropriate Company policies, timely, objective and accurate assessment and reporting of risks are possible through the creation of a competent internal control system, have been supervised within the framework of the effectiveness and competence of the internal audit systems through the Audit Committee and the Board of Directors during 2016.

The Audit Committee composed of 2 members convened 4 times in the period of January 1 - December 31, 2016 and took 4 decisions.

Risk Management

The Risk Management Committee established in accordance with the Capital Markets Board Corporate Governance Principles Communiqué within the Board of Directors of Optima monitors the risks that the Company may face and develops the policies necessary for the execution of risk management processes by determining the duties and working principles.

The Committee is designed to work on creating effective internal control systems to define, assess, monitor and manage the risk elements that might influence reaching company targets, ensuring the compliance of risk management and internal control systems with the corporate structure of the Company and supervising their effective functioning as well as supervising, measuring, reporting the risk management of the Company and internal control systems through appropriate control methods and using them in decision-making mechanisms.

The Committee acts within its authority and responsibility and makes recommendations to the Board of Directors, and the final decision responsibility always belongs to the Board of Directors.

The committee consists of at least two members. When necessary, third persons outside the Company who are not members of the Board of Directors and who are specialized in their fields may also be assigned to the committee. The Committee is re-determined at the first meeting of the Board of Directors to be held annually after the Ordinary General Assembly meeting.

The Risk Committee meets at least once every three months and presents the results of the meeting to the Board. The timing of the committee meetings is, as far as possible, in line with the timing of the board meetings. The committee informs the Board of Directors on matters falling within the scope of its authority and responsibility. Decisions taken at the committee meetings are written and maintained.
To identify, analyze, measure, monitor and report the risks faced by the Company, and be alert to reduce risks that can be and cannot be controlled.

To identify and ensure compliance to risk management policies and implementation procedures in line with the views of the Board of Directors in accordance with risk management methods.

To request information, opinions and reports from related units when deemed necessary to design, select, implement and approve risk measurement models, to regularly monitor models, to make necessary changes by performing scenario analyzes and to ensure that Risk monitoring function is performed effectively.

To establish an effective risk management system and a strong internal control environment for the company is regarded as one of the key pillars of sustainable growth and development. The company keeps track of the risk it has with its technological infrastructure and business processes it has developed; And makes strategic reporting that shed light on day-to-day decisions to the management levels. The company carries out risk and value analysis activities to measure market and liquidity risks.

Internal control mechanisms to be followed and implemented by the Company staff at all levels have been established to ensure the integrity and reliability of accounting and reporting systems and that the Company's activities are carried out in accordance with applicable legislation and within the framework determined by the Board of Directors.

Operating under the Board of Directors through the Optima Audit Committee, the Internal Audit Department monitors the efficiency and effectiveness of internal control and risk management systems, including the entire company, within the annual audit plan prepared in accordance with risk assessments.
The Risk Committee composed of 2 members convened 4 times in January 1 - December 31, 2016 period and took 4 decisions.

Outsourced People and Organizations

Independent Audit Institution:
Başaran Nas Bağımsız Denetim and YMM A.Ş. (PWC) audit the financial statements in accordance with the Company's local and international audit standards and provide independent audit opinions.

Tax:
Işık YMM ve Bağımsız Denetim make audits and certifications of annual income and corporate tax statements and accompanying financial statements and notifications in accordance with laws and legislation and prepare reports based on them.

Credit Rating Agency:
Fitch Ratings provides credit rating reports in accordance with the Company's local credit rating standards. *

As of 31.12.2016, Optima;

- Does not have any direct or indirect subsidiaries and share ratios.
- Does not have its own shares it has acquired.
- Does not have any lawsuits filed against the Company.
- Does not have any administrative or judicial sanctions imposed on the Company and the members of the Management Body.

Benefits Provided to the Members of the Board of Directors and Senior Management:

Emine Bingül, one of the members of the Board of Directors, is paid a monthly salary due to her active work in the Company, while Hasan Başer, the Chairman of the Board of Directors, and Murat Başer are paid a monthly salary as an attendance fee. The total amount of remuneration and similar benefits provided to the senior management of Optima for the year ending on December 31, 2016 is 1.442 thousand TL.

Optima does not provide any security such as surety-ship or any debt under the name of loans and personal loans, to any of its board members and managers.

Corporate Governance Policy

It is checked whether the Corporate Governance Committee established in accordance with the Capital Markets Board Corporate Governance Principles Communique in the Board of Directors of the Company is in compliance with the Corporate Governance Principles of the Company, and information and suggestions on failures are provided to the Board of Directors.

The Corporate Governance Committee determines whether the corporate governance principles are implemented in the Company and if not, identifies the conflicts of interest that arise due to the failure to fully comply with these principles and proposes improvements to the Board of Directors.

The Corporate Governance Committee consists of at least two persons, who are members of the Board of Directors and who are elected among the members of the Board of Directors and at least one of whom is elected among the people who are at least Assistant Manager. The Corporate Governance Committee is appointed by the Board of Directors for a maximum of 3 years. Members whose terms of office come to an end can be re-elected.

The Corporate Governance Committee meeting is held at least once a year. After each meeting, the chairman of the committee presents a summary of the meeting to the Board of Directors or a written report on the activities of the committee.

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The Corporate Governance Committee meeting is held at least once a year. After each meeting, the chairman of the

committee presents a summary of the meeting to the Board of Directors or a written report on the activities of the committee.

The Committee develops proposals to make the disclosures to be made in accordance with the Company's "Disclosure Policy", especially with laws and regulations, and ensures the active use of the Company's website in public disclosure.

It ensures the Company's ethical rules are created and the Corporate Governance Principles are adopted and implemented within the Company. It carried out the annual corporate governance evaluations of the Board of Directors and presents them to the Board of Directors. It makes suggestions about the functioning, structure and efficiency of the Board of Directors and its affiliated committees.

The Corporate Governance Committee is the follower and implementer of the company's corporate governance principles. The Company has fully complied with the statutory corporate governance principles; and has a corporate governance concept established based on transparency, equality, responsibility and accountability principles.

The Corporate Governance Committee composed of 2 members convened 3 times in the period of January 1 - December 31, 2016 and took 3 decisions.

Information Policy

The Company fulfills all financial information and other necessary information in accordance with the regulations of the relevant Law and regulations, the Capital Markets Board legislation and the Turkish Commercial Code, taking into account the generally accepted accounting principles and the CMB Corporate Governance Principles. The purpose of our information policy defined in the CMB Corporate Governance Principles and accepted by our Board of Directors is; To ensure that shareholders, investors, employees, customers, lenders, regulatory and supervisory authorities and all rights holders have access to the information and statements they require, unless they are business secrets, fully, accurately, comprehensibly, easily, at the lowest cost and on equal terms.

Informing the public, and developing, monitoring and supervising an information policy fall into the authority and responsibility of the Board of Directors. Information activities are carried out under the supervision of the Board of Directors and also by the units and officials appointed by the Board of Directors. The relevant authorities work in close cooperation with the Audit Committee and the Board of Directors. The unit and authorities authorized by informing the public are announced to the public on the Company's website.

Ethical Principles and Rules

Integrity: Our company is committed to the principle of integrity in relation to its customers, employees, shareholders, group companies and other institutions and organizations.

Impartiality: Our company carries out its activities with full impartiality. It does not distinguish between employees and customers, and does not involve prejudiced behavior.

Reliability: Offering our products and services, our relationship with our customers and with other interested parties is based on mutual trust, and it is clear and comprehensible. Our Company is committed to providing accurate information based on the reliability of fulfilling customer services completely and on time.

Transparency: Our company is transparent in the financial products offered under Shared Social Responsibilities and national and/or international practices. In this respect, efforts are made not to have any difference among the products. Our customers are clearly and comprehensibly informed about the rights, obligations, benefits and risks related to our products and services offered to them.

Equality: Our company and our employees do not discriminate in business relations based on language, race, sex, political thought, and respect human rights.

Respect for Social Benefits and Respect to the Environment: In the execution of all our activities, respect for the social benefit and respect for the environment is essential as well as profitability. We are responsive about the protection of the environment and natural life, consumer rights and public health and follow the rules in this regard.

Fighting Against Money Laundering and Laundering of Proceeds of Crime: Our Company has adopted as an important principle the fight against money laundering, corruption and similar crimes specified in law and international norms and pays attention to cooperate with MASAK and other related institutions and authorities.

It also takes the necessary precautions for this purpose internally and organizes training programs for the staff.

Competition: Our company regards competition as a race for social benefit, in which institutions operating in the same sector comply with the legislation and generally accepted principles and decisions are taken in a free environment. For this reason, our company avoids the behaviors that cause unfair competition in order to sustain trust in its activities in the free market economy as well as the factoring industry in general, and make the efforts for the development of the industry within the framework of observing common interests. This principle has also been adopted by our employees.

Customer Information and Quality of Service: It is essential to provide accurate, complete and timely information to our customers in the presentation of our products and services. Our primary goal is the delivery of our services in a professional manner in accordance with the basic ethical principles. Our employees avoid giving wrong or incomplete information to customers. The costs and terms of the services we provide to our customers are clearly specified. In any dispute that may arise with the customer, the complaints are taken into consideration by the authorities and efforts are made to find a solution. We will make every effort to investigate the causes of customer complaints, to take necessary precautions to prevent recurrence, to correct the mistakes immediately, and to inform our employees about this issue.

Customer Secret: Our company is liable to keep all kinds of information of its customers. The information and documents that are legally required to be given to the person(s) authorized to ask for information and documents in accordance with the law are excluded.

Security: Our company does not compromise on security and transparency in the protection and storage of customer's goods (negotiable documents, contracts etc.) and financial facilities (factoring fee, commission, etc.).
or our company, it is essential that our activities are carried out in an environment where all the work and operational safety is ensured and the necessary technical and legal measures are taken in order to prevent customer victimization.

Responsibility and Principles

Responsibilities of the Members of the Board of Directors: Members of the Board of Directors may not disclose confidential and/or trade secret information to public as stipulated in the law, MASAK, BRSA, FKB and general laws. The Board of Directors shall take the necessary measures to prevent the disclosure of such information to third parties by employees of the Company and/or by intervention from outside the Company.

Members of the Board of Directors may not use confidential and non-public information about the Company for themselves or others, give false, misleading, unfounded information about the Company, disseminate the news and may not comment on them.

Members of the Board of Directors are aware of the fact that they have to comply with the law, the articles of association, the Company's internal regulations and the established policies and that otherwise, they will be jointly and severally liable for the consequent losses of the Company, shareholders and beneficiaries.

The members of the Board of Directors take the necessary measures to ensure that shareholders do not now to pressures which may result against the shareholders and that these rules are also enforced by all Company employees.

Company Principles Regarding Employees: Our Company takes care to ensure that human resources are composed of persons who have the knowledge and responsibility required by the job.
For the recruitment of personnel, our company;

- Avoids any practices that could lead to unfair competition.
- Takes care not to interrupt the services of other institutions in the personnel recruitment.
- Complies with the provisions of Labor Law and related legislation.
- Acts sincerely and honestly in responding to the information requested by other institutions about its former employees.
- Takes the necessary precautions to improve the motivation of our employees and to provide services in better conditions, in order to ensure that the business environment is in harmony with the healthy, safe and natural environment.
- Takes care to employ a sufficient number of personnel to ensure that our products and services are presented in the best possible way, and takes necessary improving measures

to ensure that work efficiency is at the highest level during working hours.

- Makes every effort to ensure that our employees take their leaves regularly.
- Equal opportunities are provided to our employees on equal terms. There is no discrimination based on differences such as religion, sect, gender, etc. among our employees.
- Our company attaches special importance to the personal development of our employees. For this purpose, it gives support to its employees by providing training, courses, seminars and similar facilities.
- Our company attaches importance to the adoption of ethical principles and rules determined by our Board of Directors. Compliance with ethical rules in the formation of human resources is an important criterion.

Employee Responsibilities: Our employees; Act knowing that they represent our Company in every case.

Our employees; Take care to dressing in a way that integrates with our company's contemporary image, in harmony with the models, colors, fabrics and accessories used. Our employees are always clean and well maintained.

Company Records: Our employees keep accurate, complete and secure records. They do not change or destroy the records. Records that have not been registered, mis-registered and/or should be corrected for any reason are made only within the knowledge of the General Directorate.

Protection of Personal Data: In accordance with Law on the Protection of Personal Data published in the Official Gazette on April 7, 2016, the obligations of real persons and legal entities processing personal data, the procedures and principles they are to follow, and ensuring the security of personal data are regulated, and it is stipulated that the person concerned must give an explicit consent for processing the relevant data and transferring them to other people and institutions. It is also envisaged to establish a Personal Protecting Board to monitor the processing of personal data in accordance with the laws and to take precautions when necessary, to settle complaints of those who claim that their rights have been violated, and to fulfill other duties and responsibilities assigned to it in the said Law.

We do not disclose any false or misleading information about the information contained in our Customer or Company records and not use it for personal benefit.

Customer Complaints

If our company faces any customer complaints for any reason; The company shows the appropriate care for our customers in line with the policies. Complaints are resolved as soon as possible and feedback is provided to our customers within a reasonable time regarding the results of their complaints. All the recommendations of the customers regarding our products and services are taken into account and these proposals are assessed in the shortest possible time and in accordance with our quality standards.

2016 Independent Audit Report

CONVENIENCE TRANSLATION INTO ENGLISH OF
FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORT
ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

OPTİMA FAKTORİNG A.Ş.

FINANCIAL STATEMENTS
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT
FOR THE PERIOD 1 JANUARY- 31 DECEMBER 2016

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OPTİMA FAKTORİNG A.Ş.
FINANCIAL POSITION STATEMENT (BALANCE SHEET) AT 31 DECEMBER 2016

(Amounts expressed in thousands Turkish Lira ("TL") unless otherwise indicated.)

	ASSETS	Note	Audited Current Period (31 December 2016)			Audited Prior Period (31 December 2015)		
			TL	FC	Total	TL	FC	Total
I.	**CASH, CASH AND CASH EQUIVALENTS AND CENTRAL BANK**	5	1	-	1	1	-	1
II.	**FINANCIAL ASSETS AT FAIR VALUE THROUGH P/L (Net)**	4	11	-	11	10	-	10
2.1	Trading Financial Assets		-	-	-	-	-	-
2.2	Financial Assets Designated at Fair Value through Profit or (Loss)		-	-	-	-	-	-
2.3	Trading Derivative Financial Assets	4	11	-	11	10	-	10
III.	**BANKS**	5	67	-	67	268	-	268
IV.	**RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS**		-	-	-	-	-	-
V.	**AVAILABLE-FOR-SALE FINANCIAL ASSETS (Net)**		-	-	-	-	-	-
VI.	**FACTORING RECEIVABLES**	6	157,112	-	157,112	207,567	-	207,567
6.1	Discounted Factoring Receivables		157,112	-	157,112	207,567	-	207,567
6.1.1	Domestic		162,909		162,909	216,221	-	216,221
6.1.2	Foreign		-	-	-	-	-	-
6.1.3	Unearned Income (-)		(5,797)	-	(5,797)	(8,654)	-	(8,654)
6.2	Other Factoring Receivables		-	-	-	-	-	-
6.2.1	Domestic		-	-	-	-	-	-
6.2.2	Foreign		-	-	-	-	-	-
VII.	**FINANCE LOANS**		-	-	-	-	-	-
7.1	Consumer Loans		-	-	-	-	-	-
7.2	Credit Cards		-	-	-	-	-	-
7.3	Commercial Installment Loans		-	-	-	-	-	-
VIII.	**LEASE RECEIVABLES**		-	-	-	-	-	-
8.1	Receivables from Leasing Transactions		-	-	-	-	-	-
8.1.1	Financial Lease Receivables		-	-	-	-	-	-
8.1.2	Operational Lease Receivables		-	-	-	-	-	-
8.1.3	Unearned Income (-)		-	-	-	-	-	-
8.2	Assets to Be Leased		-	-	-	-	-	-
8.3	Advances Given for Leasing Transactions		-	-	-	-	-	-
IX.	**OTHER RECEIVABLES**	12	1,193	3	1,196	1,139	-	1,139
X.	**DOUBTFUL RECEIVABLES**		1,270	-	1,270	2,204	-	2,204
10.1	Doubtful Factoring Receivables		7,936	-	7,936	11,258	-	11,258
10.2	Doubtful Finance Loans		-	-	-	-	-	-
10.3	Doubtful Lease Receivables		-	-	-	-	-	-
10.4	Specific Provisions (-)		(6,666)		(6,666)	(9,054)	-	(9,054)
XI.	**HEDGING DERIVATIVE FINANCIAL ASSETS**		-	-	-	-	-	-
11.1	Fair Value Hedge		-	-	-	-	-	-
11.2	Cash Flow Hedge		-	-	-	-	-	-
11.3	Foreign Net Investment Hedge		-	-	-	-	-	-
XII.	**HELD-TO-MATURITY SECURITIES (Net)**		-	-	-	-	-	-
XIII.	**SUBSIDIARIES (Net)**		-	-	-	-	-	-
XIV.	**INVESTMENTS IN ASSOCIATES (Net)**		-	-	-	-	-	-
XV.	**JOINT VENTURES (Net)**		-	-	-	-	-	-
XVI.	**TANGIBLE ASSETS (Net)**	8	1,284		1,284	1,060	-	1,060
XVII.	**INTANGIBLE ASSETS (Net)**	9	3		3	5	-	5
17.1	Goodwill			-		-	-	-
17.2	Other		3	-	3	5	-	5
XVIII.	**PREPAID TAXES**		96	-	96	78	-	78
XIX.	**CURRENT PERIOD TAX ASSET**		15	-	15	13	-	13
XX.	**DEFERRED TAX ASSET**	11	147	-	147	571	-	571
XXI.	**OTHER ASSETS**		17	-	17	18	-	18
	SUBTOTAL		161,216	3	161,219	212,934	-	212,934
XXII.	**ASSETS HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)**	10	61	-	61	49	-	49
22.1	Held for resale		61		61	49	-	49
22.2	Discontinued Operations		-	-	-	-	-	-
	TOTAL ASSETS		161,277	3	161,280	212,983	-	212,983

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

OPTİMA FAKTORİNG A.Ş.
FINANCIAL POSITION STATEMENT (BALANCE SHEET) AT 31 DECEMBER 2016

(Amounts expressed in thousands Turkish Lira ("TL") unless otherwise indicated.)

			Audited			Audited		
	IABILITIES	Note	Current Period (31 December 2016)			Prior Period (31 December 2015)		
			TL	FC	Total	TL	FC	Total
I.	**TRADING DERIVATIVE FINANCIAL LIABILITIES**		-	-	-	-	-	-
II.	**BORROWINGS**	13	**95,266**	-	**95,266**	**141,040**	-	**141,040**
III.	**FACTORING PAYABLES**	15	**32,499**	-	**32,499**	**40,914**	-	**40,914**
IV.	**LEASE PAYABLES**	16	-	**196**	**196**	**55**	-	**55**
4.1	Financial Lease Payables		-	206	206	59	-	59
4.2	Operational Lease Payables		-	-	-	-	-	-
4.3	Other		-	-	-	-	-	-
4.4	Deferred Financial Lease Expenses (-)		-	(10)	(10)	(4)	-	(4)
V.	**MARKETABLE SECURITIES ISSUED (Net)**		-	-	-	-	-	-
5.1	Bills		-	-	-	-	-	-
5.2	Asset Backed Securities		-	-	-	-	-	-
5.3	Bonds		-	-	-	-	-	-
VI.	**OTHER PAYABLES**	14	**63**	-	**63**	**31**	-	**31**
VII.	**OTHER LIABILITIES**	14	**684**	-	**684**	**1,080**	-	**1,080**
VIII.	**HEDGING DERIVATIVE FINANCIAL LIABILITIES**		-	-	-	-	-	-
8.1	Fair Value Hedge		-	-	-	-	-	-
8.2	Cash Flow Hedge		-	-	-	-	-	-
8.3	Foreign Net Investment Hedge		-	-	-	-	-	-
IX.	**TAX LIABILITY**	17	**614**	-	**614**	**608**	-	**608**
X.	**PROVISIONS**	18	**335**	-	**335**	**409**	-	**409**
10.1	Restructuring Reserves		-	-	-	-	-	-
10.2	Reserves for Employee Rights		335	-	335	409	-	409
10.3	Other Provisions		-	-	-	-	-	-
XI.	**DEFERRED INCOME**		-	-	-	-	-	-
XII.	**CURRENT PERIOD TAX LIABILITY**		**486**	-	**486**	**187**	-	**187**
XIII.	**DEFERRED TAX LIABILITY**		-	-	-	-	-	-
XIV.	**SUBORDINATED LOANS**		-	-	-	-	-	-
	SUB TOTAL		**129,947**	**196**	**130,143**	**184,324**	-	**184,324**
XV.	**PAYABLES FOR ASSET HELD FOR RESALE AND DISCONTINUED OPERATIONS (Net)**		-	-	-	-	-	-
15.1	Held for Sale Purpose		-	-	-	-	-	-
15.2	Related to Discontinued Operations		-	-	-	-	-	-
XVI.	**SHAREHOLDERS' EQUITY**		**31,137**	-	**31,137**	**28,659**	-	**28,659**
16.1	Paid-in Capital	19	20,000	-	20,000	20,000	-	20,000
16.2	Capital Reserves		(506)	-	(506)	(323)	-	(323)
16.2.1	Share Premium		-	-	-	-	-	-
16.2.2	Share Cancellation Profits		-	-	-	-	-	-
16.2.3	Other capital reserves		-	-	-	-	-	-
16.3	Accumulated other comprehensive income or losses not to be reclassified under profit or loss statement		(506)	-	(506)	(323)	-	(323)
16.4	Accumulated other comprehensive income or losses to be reclassified under profit or loss statement t		-	-	-	-	-	-
16.5	Profit Reserves	20	6,111	-	6,111	5,815	-	5,815
16.5.1	Legal Reserves		5,902	-	5,902	5,606	-	5,606
16.5.2	Status Reserves		-	-	-	-	-	-
16.5.3	Extraordinary Reserves		-	-	-	-	-	-
16.5.4	Other Profit Reserves		209	-	209	209	-	209
16.6	Income or (Loss)		5,532	-	5,532	3,167	-	3,167
16.6.1	Prior Years' Income or (Loss)		637	-	637	-	-	-
16.6.2	Current Period Income or (Loss)		4,895	-	4,895	3,167	-	3,167
	TOTAL LIABILITIES		**161,084**	**196**	**161,280**	**212,983**	-	**212,983**

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

OPTİMA FAKTORİNG A.Ş.
OFF BALANCE SHEET ITEMS AT 31 DECEMBER 2016

(Amounts expressed in thousands Turkish Lira ("TL") unless otherwise indicated.)

			Audited			Audited		
			Current Period (31 December 2016)			Prior Period (31 December 2015)		
	OFF BALANCE SHEET COMMITMENTS	Note	TL	FC	Total	TL	FC	Total
I.	**RECOURSE FACTORING TRANSACTIONS**		**-**	**-**	**-**	**-**	**-**	**-**
II.	**NON-RECOURSE FACTORING TRANSACTIONS**		**14,359**	**-**	**14,359**	**253,095**	**-**	**253,095**
III.	**GUARANTEES RECEIVED**	**22**	**7,000,375**	**1,369**	**7,001,744**	**5,828,279**	**-**	**5,828,279**
IV.	**GUARANTEES GIVEN**	**22**	**-**	**-**	**-**	**126**	**-**	**126**
V.	**COMMITMENTS**		**41**	**-**	**41**	**-**	**-**	**-**
5.1	Irrevocable Commitments		41	-	41	-	-	-
5.2	Revocable Commitments		-	-	-	-	-	-
5.2.1	Lease Commitments		-	-	-	-	-	-
5.2.1.1	Financial Lease Commitments		-	-	-	-	-	-
5.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
5.2.2	Other Revocable Commitments		-	-	-	-	-	-
VI.	**DERIVATIVE FINANCIAL INSTRUMENTS**		**764**	**777**	**1,541**	**231**	**222**	**453**
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		764	777	1,541	231	222	453
6.2.1	Forward Buy/Sell Transactions		764	777	1,541	231	222	453
6.2.2	Swap Buy/Sell Transactions		-	-	-	-	-	-
6.2.3	Options Buy/Sell Transactions		-	-	-	-	-	-
6.2.4	Futures Buy/Sell Transactions		-	-	-	-	-	-
6.5.5	Other		-	-	-	-	-	-
VII.	**ITEMS HELD IN CUSTODY**	**22**	**173,213**	**3,968**	**177,181**	**242,366**	**2,811**	**245,177**
	TOTAL OFF BALANCE SHEET COMMITMENTS		**7,188,752**	**6,114**	**7,194,866**	**6,324,097**	**3,033**	**6,327,130**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

OPTİMA FAKTORİNG A.Ş.
STATEMENT OF PROFIT OR LOSS FOR THE PERIOD 1 JANUARY- 31 DECEMBER 2016

(Amounts expressed in thousands Turkish Lira ("TL") unless otherwise indicated.)

	INCOME AND EXPENSE ITEMS	Note	Audited Current Period (31 December 2016)	Audited Prior Period (31 December 2015)
I.	**OPERATING INCOME**	**23**	**42,424**	**41,646**
	FACTORING INCOME		**42,424**	**41,646**
1.1	Interest received from Factoring Receivables		36,452	34,775
1.1.1	Discounted		36,452	34,775
1.1.2	Other		-	-
1.2	Fees and Commissions Received from Factoring Receivables		5,972	6,871
1.2.1	Discounted		5,607	6,209
1.2.2	Other		365	662
	FINANCE LOAN INCOME		-	-
1.3	Interest Received from Finance Loans		-	-
1.4	Fees and Commissions Received from Finance Loans		-	-
	LEASE INCOME		-	-
1.5	Financial Lease Income		-	-
1.6	Operational Lease Income		-	-
1.7	Fees and Commissions Received from Lease Transactions		-	-
II.	**FINANCIAL EXPENSES (-)**	**26**	**(20,551)**	**(20,059)**
2.1	Interest on Funds Borrowed		(15,671)	(16,999)
2.2	Interest on Factoring Payables		(4,868)	(3,049)
2.3	Financial Lease Expense		(12)	(11)
2.4	Interest on Securities Issued		-	-
2.5	Other Interest Expenses		-	-
2.6	Fees and Commissions		-	-
III.	**GROSS PROFIT/LOSS (I+II)**		**21,873**	**21,587**
IV.	**OPERATING EXPENSE (-)**	**24**	**(12,537)**	**(13,847)**
4.1	Personnel Expenses		(8,363)	(8,769)
4.2	Provision Expense for Employment Termination Benefits		-	(135)
4.3	Research and Development Expenses		-	-
4.4	General Administration Expenses		(4,174)	(4,943)
4.5	Other		-	-
V.	**GROSS OPERATING PROFIT/LOSS (III+IV)**		**9,336**	**7,740**
VI.	**OTHER OPERATING INCOME**	**25**	**1,822**	**1,148**
6.1	Interest Received from Banks		**21**	107
6.2	Interest Received from Reverse Repurchase Agreements		-	-
6.3	Interest Received from Marketable Securities Portfolio		33	147
6.3.1	Trading Financial Assets		33	147
6.3.2	Financial Assets at Fair Value through Profit or (Loss)		-	-
6.3.3	Available-for-sale Financial Assets		-	-
6.3.4	Held to Maturity Investments		-	-
6.4	Dividend Income		-	-
6.5	Trading Gains on Securities		-	-
6.5.1	From Derivative Financial Transactions		-	-
6.5.2	Other		-	-
6.6	Foreign Exchange Gains		4	1
6.7	Other		**1,764**	**893**
VII.	**SPECIFIC PROVISIONS FOR FOLLOW-UP RECEIVABLES (-)**	**27**	**(4,829)**	**(4,463)**
VIII.	**OTHER OPERATING EXPENSES (-)**	**28**	**(5)**	**(5)**
8.1	Impairment of Marketable Securities		-	-
8.1.1	Impairment of Financial Assets at Fair Value through Profit or (Loss)		-	-
8.1.2	Impairment of Available-for-sale Financial Assets		-	-
8.1.3	Impairment of Held to Maturity Investments		-	-
8.2	Impairment of Fixed Assets		-	-
8.2.1	Impairment of Property and Equipment		-	-
8.2.2	Impairment of Non-current Assets Held for Resale and Discontinued Operations		-	-
8.2.3	Impairment of Goodwill		-	-
8.2.4	Impairment of Other Intangible Non-current Assets		-	-
8.2.5	Loss from impairment of Associates, Subsidiaries and Joint Ventures (business partners)		-	-
8.3	Loss from Derivative Financial Transaction		-	-
8.4	Foreign Exchange Loss		(5)	(5)
8.5	Other		-	-
IX.	**NET OPERATING INCOME/EXPENSE (V+...+VIII)**		**6,324**	**4,420**
X.	**AMOUNT IN EXCESS RECORDED AS GAIN AFTER MERGER**		**-**	**-**
XI.	**NET MONETARY POSITION GAIN/LOSS**		-	-
XII.	**PROFIT/LOSS BEFORE TAX FROM CONTINUING OPERATIONS (IX+X+XI)**		**6,324**	**4,420**
XIII.	**TAXATION ON INCOME FROM CONTINUING OPERATIONS(-)**	**29**	**(1,429)**	**(1,253)**
13.1	Current Tax Provision		(960)	(1,308)
13.2	Deferred Tax Expense Effect (+)		(469)	-
13.3	Deferred Tax Income Effect (-)		-	55
XIV.	**NET PROFIT/LOSS FROM CONTINUING OPERATIONS (XII±XIII)**		**4,895**	**3,167**
XV.	**INCOME FROM DISCONTINUING OPERATIONS (-)**		-	-
15.1	Income from Assets Held for Resale		-	-
15.2	Income from Investment and Associates, Subsidiaries and Joint Ventures		-	-
15.3	Other income		-	-
XVI.	**EXPENSES FROM DISCONTINUING OPERATIONS (-)**		-	-
16.1	Expenses from Assets Held for Resale		-	-
16.2	Loss on Investment and Associates, Subsidiaries and Joint Ventures		-	-
16.3	Other Expenses		-	-
XVII.	**PROFIT/LOSS BEFORE TAX FROM DISCONTINUING OPERATIONS (XV-XVI)**		-	-
XVIII.	**TAXATION ON INCOME FROM DISCONTINUING OPERATIONS (±)**		-	-
18.1	Current Tax Provision		-	-
18.2	Deferred Tax Expense Effect (+)		-	-
18.3	Deferred Tax Income Effect (-)		-	-
XIX.	**NET PROFIT/LOSS FROM DISCOUNTINUED OPERATIONS (XVII±XVIII)**		-	-
XX.	**NET PROFIT/LOSSES (XIV+XIX)**		**4,895**	**3,167**
	EARNINGS PER SHARE	**30**	**0.2448**	**0.1584**
	Earnings Per Share From Continuing Operations		0.2448	0.1584
	Earnings Per Share From Discontinued Operations		-	-
	DILUTED EARNINGS PER SHARE	**30**	-	**-**
	Diluted earnings per share from continuing operations		-	**-**
	Diluted earnings per share from discontinued operations		-	**-**

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

OPTİMA FAKTORİNG A.Ş.
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE PERIOD 1 JANUARY- 31 DECEMBER 2016

(Amounts expressed in thousands Turkish Lira ("TL") unless otherwise indicated.)

		Dipnot	Audited Current Period (31 December 2016)	Audited Prior Period (31 December 2015)
I.	**CURRENT PROFIT/LOSS**		**4,895**	**3,167**
II.	**OTHER COMPREHENSIVE INCOME**		**(183)**	**(209)**
2.1	**Items not to be reclassified under profit and loss**		**(183)**	**(209)**
2.1.1	Revaluation differences of tangible assets		-	-
2.1.2	Revaluation differences of intangible assets		-	-
2.1.3	Defined benefit plans remeasurement gains / losses	18	(229)	(262)
2.1.4	Other comprehensive income items not to be reclassified under profit and loss		-	-
2.1.5	Taxes on other comprehensive income not to be reclassified uder profit or loss		46	53
2.1.5.1	Income tax expense/ıncome		-	-
2.1.5.2	Deferred tax expense/ıncome	11	46	53
2.2	**Items to be reclassified under profit and loss**		**-**	**-**
2.2.1	Foreign exchange differences from foreign currency transactions		-	-
2.2.2	Revaluation differences of available-for-sale financial assets		-	-
2.2.3	Income/loss on cash flow hedge derivative financial assets		-	-
2.2.4	Income/loss from foreign investment hedge derivative financial assets		-	-
2.2.5	Other comprehensive income items to be reclassified under profit and loss		-	-
2.2.6	Taxes on other comprehensive income to be reclassified uder profit or loss		-	-
2.2.6.1	Income tax expense/ıncome		-	-
2.2.6.2	Deferred tax expense/ıncome		-	-
III.	**TOTAL COMPREHENSIVE INCOME/EXPENSE (I+II)**		**4,715**	**2,958**

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016

(Amounts expressed in thousands Turkish Lira ("TL") unless otherwise indicated.)

	STATEMENT OF CHANGES IN EQUITY							Accumulated other comprehensive income or losses not to be reclassified under profit or loss statement			Accumulated other comprehensive income or losses to be reclassified under profit or loss statement											
			Paid in Capital	Capital Reserves	Share Premium	Share Cancellation Profits	Other Reserves	1	2	3	4	5	6	Profit Reserves	Legal Reserves	Status Reserves	Extraordinary Reserve	Other Reserves	Current Period Net Income/(Loss)	Prior Period Net Income/(Loss)	Net Profit / Loss	Total Equity
	PRIOR PERIOD (1 January - 31 December 2015)																					
I.	**Period Openning Balance**		17,520	-	-	-	-	-	(114)	-	-	-	-	5,142	4,933	-	-	209	7,048	16	7,032	29,596
II.	**Changes in Accounting Policies according to TAS 8**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effects of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies (1)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**New Balance (I+II)**		17,520	-	-	-	-	-	(114)	-	-	-	-	5,142	4,933	-	-	209	7,048	16	7,032	29,596
IV.	**Total Comprehensive Income**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	**Increase in Paid-in Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase From Internal Resources**		2,480	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,480)	(2,480)	-	-
VII.	**Adjustments to Paid-in Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII	**Bonds Convertible to Shares**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Loans**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Other Changes**	18	-	-	-	-	-	-	(209)	-	-	-	-	-	-	-	-	-	-	-	-	(209)
XI.	**Current Period Income or Loss**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,167	-	3,167	3,167
XII.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	-	673	673	-	-	-	(4,568)	2,464	(7,032)	(3,895)
12.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(3,895)	(3,895)	-	(3,895)
12.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	673	673	-	-	-	(673)	(673)	-	-
12.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	7,032	(7,032)	-
	Period End Balance (III+IV+......+XVII+XVIII+XIX)	19	20,000	-	-	-	-	-	(323)	-	-	-	-	5,815	5,606	-	-	209	3,167	-	3,167	28,659
	CURRENT PERIOD (1 January - 31 December 2016)																					
I.	**Period Openning Balance**		20,000	-	-	-	-	-	(323)	-	-	-	-	5,815	5,606	-	-	209	3,167	-	3,167	28,659
II.	**Changes in Accounting Policies according to TAS 8**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.1	Effects of Correction of Errors		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2.2	Effects of the Changes in Accounting Policies (1)		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.	**New Balance (I+II)**		20,000	-	-	-	-	-	(323)	-	-	-	-	5,815	5,606	-	-	209	3,167	-	3,167	28,659
IV.	**Total Comprehensive Income**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
V.	**Increase in Paid-in Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.	**Capital Increase From Internal Resources**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.	**Adjustments to Paid-in Capital**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII	**Bonds Convertible to Shares**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.	**Subordinated Loans**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.	**Other Changes**	18	-	-	-	-	-	-	(183)	-	-	-	-	-	-	-	-	-	-	-	-	(183)
XI.	**Current Period Income or Loss**		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	4,895	-	4,895	4,895
XII.	**Profit Distribution**		-	-	-	-	-	-	-	-	-	-	-	296	296	-	-	-	(2,530)	637	(3,167)	(2,235)
12.1	Dividend Paid		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(2,235)	(2,235)	-	(2,235)
12.2	Transfers to Reserves		-	-	-	-	-	-	-	-	-	-	-	296	296	-	-	-	(296)	(296)	-	-
12.3	Other		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,167	(3,167)	-
	Period End Balance (III+IV+......+XVII+XVIII+XIX)	19	20,000	-	-	-	-	-	(506)	-	-	-	-	6,111	5,902	-	-	209	5,532	637	4,895	31,137

1. The accumulated revaluation increases/losses on property and equipment,
2. The accumulated remeasurement gains/losses on defined benefit plans,
3. Other (Accumulated other comprehensive income or losses not to be reclassified under profit or loss statement),
4. Foreign currency translation differences,
5. The accumulated revaluation increases/losses on available for sale asset,
6. Other (Cash flow hedge gains/losses, accumulated other comprehensive income or losses to be reclassified under profit or loss statement

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

OPTİMA FAKTORİNG A.Ş.
STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2016
(Amounts expressed in thousands Turkish Lira ("TL") unless otherwise indicated.)

		Note	Audited Current Period (1 January - 31 December 2016)	Audited Prior Period (1 January - 31 December 2015)
A.	**CASH FLOWS FROM OPERATING ACTIVITIES**			
1.1	Operating Profit before Changes in Operating Assets and Liabilities		1,424	8,177
1.1.1	Interests Received/ Leasing Income		28,019	38,151
1.1.2	Interests Paid/Leasing Expense		-	-
1.1.3	Leasing Expense		-	-
1.1.4	Dividend Received		-	-
1.1.5	Fees and Commissions Received		11,944	6,871
1.1.6	Other Income		1,783	996
1.1.7	Collections from Previously Written-off Doubtful Receivables	6	1,131	276
1.1.8	Payments to Personnel and Service Suppliers	24	(8,363)	(8,769)
1.1.9	Taxes Paid	29	(1,429)	(1,121)
1.1.10	Other		(31,661)	(28,227)
1.2	Changes in Operating Assets and Liabilities		954	(6,368)
1.2.1	Net (Increase)/Decrease in Factoring Receivables		53,850	(71,041)
1.2.2	Net (Increase)/Decrease in Finance Loans		-	-
1.2.3	Net (Increase)/Decrease in Lease Receivables		-	-
1.2.4	Net (Increase)/Decrease in Other Assets		356	(639)
1.2.5	Net Increase/(Decrease) in Factoring Payables		(8,415)	37,506
1.2.6	Net Increase/(Decrease) in Lease Payables		-	-
1.2.7	Net Increase/(Decrease) in Funds Borrowed		(44,784)	27,644
1.2.8	Net Increase/(Decrease) in Payables		-	-
1.2.9	Net Increase/(Decrease) in Other Liabilities		(55)	162
I.	**Net Cash Provided From / (Used in) Operating Activities**		**2,396**	**1,809**
B.	**CASH FLOWS FROM INVESTING ACTIVITIES**			
2.1	Acquisition of Investments, Associates and Subsidiaries		-	-
2.2	Disposal of Investments, Associates and Subsidiaries		-	-
2.3	Purchases of Property and Equipment	8,9	(788)	(575)
2.4	Disposals of Property and Equipment		586	397
2.5	Purchase of Investments Available-for-sale		-	-
2.6	Sale of Investments Available-for-sale		-	-
2.7	Purchase of Investment Securities Held to Maturity		-	-
2.8	Sale of Investment Securities Held to Maturity		-	-
2.9	Other		-	-
II.	**Net Cash Used in Investing Activities**		**(202)**	**(178)**
C.	**CASH FLOWS FROM FINANCING ACTIVITIES**			
3.1	Cash Obtained from Funds Borrowed and Securities Issued		-	-
3.2	Cash Used for Repayment of Funds Borrowed and Securities Issued		-	-
3.3	Issued Capital Instruments		-	-
3.4	Dividends Paid		(2,235)	(3,895)
3.5	Payments for Finance Leases		(141)	(51)
3.6	Other		-	-
			-	-
III.	**Net Cash Provided from Financing Activities**		**(2,377)**	**(3,946)**
IV.	**Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents**		**-**	**-**
V.	**Net Increase in Cash and Cash Equivalents**		**(201)**	**(2,315)**
VI.	**Cash and Cash Equivalents at Beginning of the Period**		**269**	**2,584**
VII.	**Cash and Cash Equivalents at End of the Period**	**5**	**68**	**269**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

OPTİMA FAKTORİNG A.Ş.
STATEMENT OF PROFIT DISTRIBUTION FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2016

(Amounts expressed in thousands Turkish Lira ("TL") unless otherwise indicated.)

		Current Period(*) (31 December 2016)	Prior Period (31 December 2015)
I.	**DISTRIBUTION OF CURRENT PERIOD PROFIT(*)**		
1.1	CURRENT PERIOD PROFIT	6,324	4,420
1.2	TAXES AND DUES PAYABLE (-)	(960)	(1,308)
1.2.1	Corporate Tax (Income Tax)	(960)	(1,308)
1.2.2	Withholding Tax	-	-
1.2.3	Other taxes and dues (**)	-	-
A.	**NET PERIOD PROFIT (1.1 - 1.2)**	**5,364**	**3,112**
1.3	PRIOR YEARS' LOSSES (-)	-	-
1.4	FIRST LEGAL RESERVE (-)	-	158
1.5	OTHER STATUTORY RESERVES NEEDED TO BE KEPT IN THE COMPANY (-)	-	-
B	**DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3-1.4-1.5)]**	**5,364**	**3,112**
1.6	FIRST DIVIDEND TO SHAREHOLDERS (-)	-	1,000
1.6.1	To Owners of Ordinary Shares	-	1,000
1.6.2	To Owners of Preferred Stocks	-	-
1.6.3	To Owners of Preferred Stocks(Preemptive Rights)	-	-
1.6.4	To Profit Sharing Bonds	-	-
1.6.5	To Owners of the profit /loss Sharing Certificates	-	-
1.7	DIVIDEND TO PERSONNEL (-)	-	-
1.8	DIVIDEND TO BOARD OF DIRECTORS (-)	-	-
1.9	SECOND DIVIDEND TO SHAREHOLDERS (-)	-	1,808
1.9.1	To Owners of Ordinary Shares	-	1,808
1.9.2	To Owners of Preferred Stocks	-	-
1.9.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.9.4	To Profit Sharing Bonds	-	-
1.9.5	To Owners of the profit /loss Sharing Certificates	-	-
1.10	SECOND LEGAL RESERVE (-)	-	137
1.11	STATUS RESERVES (-)	-	-
1.12	EXTRAORDINARY RESERVES	-	-
1.13	OTHER RESERVES	-	-
1.14	SPECIAL FUNDS	-	-
II.	**DISTRIBUTION FROM RESERVES**	-	-
2.1	DISTRIBUTED RESERVES	-	-
2.2	SECOND LEGAL RESERVES (-)	-	-
2.3	SHARE TO SHAREHOLDERS (-)	-	-
2.3.1	To Owners of Ordinary Shares	-	-
2.3.2	To Owners of Preferred Stocks	-	-
2.3.3	To Owners of Preferred Stocks (Preemptive Rights)	-	-
2.3.4	To Profit Sharing Bonds	-	-
2.3.5	To Owners of the profit /loss Sharing Certificates	-	-
2.4	SHARE TO PERSONNEL (-)	-	-
2.5	SHARE TO BOARD OF DIRECTORS (-)	-	-
III.	**EARNINGS PER SHARE**	-	-
		-	-
3.1	TO OWNERS OF STOCKS (TL)	0.2448	0.1616
3.2	TO OWNERS OF STOCKS (%)	24.48	16.16
3.3	TO OWNERS OF PREFERRED STOCKS (TL)	-	-
3.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-
IV.	**DIVIDEND PER SHARE**	-	-
4.1	TO OWNERS OF STOCKS (TL)	-	-
4.2	TO OWNERS OF STOCKS (%)	-	-
4.3	TO OWNERS OF PREFERRED STOCKS (TL)	-	-
4.4	TO OWNERS OF PREFERRED STOCKS (%)	-	-
		-	-

(*) The Company's General Assembly has not been held yet.

(**) The General Assembly of the Company has not been made yet and only the distributable profit amount is stated in the profit distribution table.

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

1 - THE ORGANIZATION AND PRINCIPAL ACTIVITIES

Optima Faktoring A.Ş., ("the Company") was established on June 1996 in İstanbul, Turkey. The Company provides domestic factoring services to industrial and commercial enterprises. The registered office address of the Company is Sümer Sok. No:3 Ayazağa Tic. Mrk. B Blok Kat:11 Maslak/Sarıyer- İstanbul Turkey.

The main shareholder of the Company is AB Holding A.Ş.

The Company has 62 employees as of 31 December 2016 (2015: 86).

1.1.Dividend Payable

At the date of the report, there is no dividend distribution decision taken by the Company.

As a result of the decision of the Ordinary General Assembly dated 25 March 2016, the dividend distribution to the shareholders from the retained earnings of the Company in the previous year's extraordinary reserves was discussed and the Company's 2015 profit and extraordinary reserves, After the required amounts that need to be separated; TL 2,235 thousand of the remaining profit was distributed to shareholders on 30 May 2016.

1.2. Approval of Financial Statements

The financial statements of the Company are authorized for issuance by the Board of Directors' decision taken on 8 March 2017. The General Assembly has the authority to amend the approved financial statements.

2 - BASIS OF PREPARATION OF FINANCIAL STATEMENTS

2.1 Financial reporting standards

The Company maintains its books of account and prepares its financial statements in accordance with "Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be Issued By Leasing, Factoring and Consumer Finance Companies" issued in the Official Gazette numbered 28861 dated 24 December 2013 by the BRSA. The financial statements have been prepared in accordance with Turkish Accounting/Financial Reporting Standards ("TAS/TFRS") issued by "Oversight Accounting an Auditing Standards Authority" and in accordance with "Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be Issued By Leasing, Factoring and Consumer Finance Companies" published by the BRSA on 13 December 2012 in the Official Gazette numbered 28496 and ("TAS/TFRS") issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") and the interpretations and with the Communiqué: "The Procedures Regarding The Provisions to be Provided for the Loans of Leasing, Factoring and Consumer Finance Companies" issued by BRSA in the Official Gazette numbered 28861 dated 24 December 2013.

The financial statements have been prepared in TL, under the historical cost convention as modified in accordance with inflation adjustments, except for the financial assets and liabilities which are carried at fair value.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.1 Financial reporting standards (Continued)

The preparation of financial statements requires the use of certain critical accounting estimates by the Company's management to exercise its judgment on the assets and liabilities of the balance sheet and contingent issues as of the balance sheet date. These estimates are based on management's best estimations and knowledge, actual results may differ from these estimate.

Additional paragraph for convenience translation into English

The financial reporting standards as described in this note differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows of the Company in accordance with the accounting principles generally accepted in such countries and IFRS.

2.2 Adjustment of Financial Statements in Hyperinflationary Periods

The Company's financial statements have been subject to inflation adjustments in accordance with "Turkish Accounting Standard for Financial Reporting in Hyperinflationary Economies" ("TAS 29") until 31 December 2004. According to a Circular issued by the BRSA on April 28, 2005, it is stated that the indications that require the application of inflation accounting have been left out and the application of inflation accounting has been terminated as of 1 January 2005.

2.3 Comparative financial information and restatement of prior year 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 of the financial statements and major differences are explained.

2.4 Changes in accounting policies

Material changes in accounting policies are applied retrospectively and previous period financial statements are rearranged. There is no material change in Company's accounting policies in current year.

2.5 Changes in Accounting Estimates and Errors

The effect of a change in an accounting estimate is recognised prospectively in the period of the change, if the change affects that period only; or the period of the change and future periods, if the change affects both. There has not been any significant change in the accounting estimates of the Company in the current year. In case of need, accounting errors are corrected retrospectively by restating the comparative amounts for the prior periods.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.6 Amendments in standards and interpretations

New or Revised International Financial Reporting Standards and Applications of Amendments

The Company adopted the standards, amendments and interpretations, related to Company's activity, published by the Public Oversight Auditing and Accounting Standards Authority (POA) which are mandatory for accounting periods beginning on or after 1 January 2016.

Standards, Amendments and IFRICs applicable to 31 December 2016 year ends

IFRS 14 'Regulatory deferral accounts', effective from annual periods beginning on or after 1 January 2016. IFRS 14, 'Regulatory deferral accounts' permits first-time adopters to continue to 58xchange58 amounts related to rate regulation in accordance with their previous GAAP requirements when they adopt IFRS. However, to enhance comparability with entities that already apply IFRS and do not such amounts, the standard requires that the effect of rate regulation must be presented separately from other items.

Annual improvements 2014, effective from annual periods beginning on or after 1 January 2016. These set of amendments impacts 4 standards:

- IFRS 5, 'Non-current assets held for sale and discontinued operations' regarding methods of disposal.
- IFRS 7, 'Financial instruments: Disclosures', (with consequential amendments to IFRS 1) regarding servicing contracts.
- IAS 19, 'Employee benefits' regarding discount rates.
- IAS 34, 'Interim financial reporting' regarding disclosure of information.

Amendment to IFRS 11, 'Joint arrangements' on acquisition of an interest in a joint operation, effective from annual periods beginning on or after 1 January 2016. This amendment adds new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

Amendments to IAS 16 'Property,plant and equipment', and IAS 41, 'Agriculture', regarding bearer plants, effective from annual periods beginning on or after 1 January 2016. These amendments change the financial reporting for bearer plants, such as grape vines, rubber trees and oil palms. It has been decided that bearer plants should be accounted for in the same way as property, plant and equipment because their operation is similar to that of manufacturing. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

Amendment to IAS 16, 'Property, plant and equipment' and IAS 38, 'Intangible assets', on depreciation and effective from annual periods beginning on or after 1 January 2016. In this amendment the it has clarified that the use of revenue based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. It is also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

Amendments to IAS 27, 'Separate financial statements' on the equity method, effective from annual periods beginning on or after 1 January 2016. These amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

Amendment to IFRS 10 'Consolidated financial statements' and IAS 28, 'Investments in associates and joint ventures', effective from annual periods beginning on or after 1 January

2016.These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

Amendment to IAS 1, 'Presentation of financial statements' on the disclosure initiative, effective from annual periods beginning on or after 1 January 2016, these amendments are as part of the IASB initiative to improvepresentation and disclosure in financial reports.

New TFRS standards, amendments and IFRICs effective after 1 January 2017

Amendments to IAS 7 'Statement of cash flows' on disclosure initiative, effective from annual periods beginning on or after 1 January 2017. These amendments introduce an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendment is part of the IASB's Disclosure Initiative, which continues to explore how financial statement disclosure can be improved.

Amendments IAS 12 'Income Taxes', effective from annual periods beginning on or after 1 January 2017. The amendments clarify the accounting for deferred tax where an asset is measured at fair value and that fair value is below the asset's tax base. It also clarify certain other aspects of accounting for deferred tax assets.

Amendments to IFRS 2, 'Share based payments' on clarifying how to account for certain types of share-based payment transactions, effective from annual periods beginning on or after 1 January 2018. This amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority.

IFRS 9 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. This standard replaces the guidance in IAS 39. It includes requirements on the classification and measurement of financial assets and liabilities; it also includes an expected credit losses model that replaces the current incurred loss impairment model.

IFRS 15 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. IFRS 15, 'Revenue from contracts with customers' is a converged standard from the IASB and FASB on revenue recognition. The standard will improve the financial reporting of revenue and improve comparability of the top line in financial statements globally.

Amendment to IFRS 15, 'Revenue from contracts with customers', effective from annual periods beginning on or after 1 January 2018. These amendments comprise clarifications of the guidance on identifying performance obligations, accounting for licences of intellectual property and the principal versus agent assessment (gross versus net revenue presentation). New and amended illustrative examples have been added for each of those areas of guidance. The IASB has also included additional practical expedients related to transition to the new revenue standard.

IFRS 16 'Leases', effective from annual periods beginning on or after 1 January 2019, This standard replaces the current guidance in IAS 17 and is a farreaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on balance sheet) and an operating lease (off balance sheet). IFRS 16 now requires lessees to a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lease (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

New TFRS standards, amendments and IFRICs effective after 1 January 2017 (Continued)

Amendments to IFRS 4, 'Insurance contracts' regarding the implementation of IFRS 9, 'Financial instruments', effective from annual periods beginning on or after 1 January 2018. These amendments introduce two approaches: an overlay approach and a deferral approach. The amended standard will:

- give all companies that issue insurance contracts the option to in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued,
- and give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard - IAS 39.

Amendment to IAS 40, Investment property' relating to transfers of investment property, effective from annual periods beginning on or after 1 January 2018. These amendments clarify that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition. This change must be supported by evidence.

Annual improvements 2014-2016, effective from annual periods beginning on or after 1 January 2018. These amendments impact 3 standards:

- IFRS 1,' First-time adoption of IFRS', regarding the deletion of short-term exemptions for first-time adopters regarding IFRS 7, IAS 19, and IFRS 10 effective 1 January 2018.
- IFRS 12,'Disclosure of interests in other entities' regarding clarification of the scope of the standard. These amendments should be applied retrospectively for annual periods beginning on or after 1 January 2017.
- IAS 28,'Investments in associates and joint ventures' regarding measuring an associate or joint venture at fair value effective 1 January 2018.

IFRIC 22,' Foreign currency transactions and advance consideration', effective from annual periods beginning on or after 1 January 2018. This IFRIC addresses foreign currency transactions or parts of transactions where there is consideration that is denominated or priced in a foreign currency. The interpretation provides guidance for when a single payment/receipt is made as well as for situations where multiple payments/receipts are made. The guidance aims to reduce diversity in practice.

2.7. Early adoption of standards

The Company will assess the effects of the above amendments on its operations and will apply them from the effective date. The application of the above standards and interpretations other than the application of TFRS 9 is expected to have no significant effect on the Company's financial statements in future periods.

2.8. Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are summarized below:

- BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.8.1. Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and other short-term investments with a maturity of 3 months or less, which are readily convertible into cash and do not bear the risk of impairment, subject to a significant change in value. The book value of these assets is close to the fair value.

2.8.2. Financial Instruments

Financial assets and liabilities are included in the balance sheet of the Company in case the Company is a legal party to those financial instruments.

Financial assets

The financial assets other than the ones classified as financial assets at fair value through profit or loss and recorded on the fair value are recognized over the total amount of expenditures that can be directly linked to the call transaction. The related assets are quoted or unquoted on the trading date depending on the result of the trading of the financial assets based on a contract which stipulates that the investment instruments are delivered in line with the time set by the related market. The financial assets are classified into "financial assets at fair value through profit or loss" , "held-to-maturity investments", "available-for-sale financial assets" and loans and receivables". Classification is based on the quality and purpose of the financial assets and determined during the first recognition.

a. Effective interest rate method

Effective interest rate method is the validation of the financial asset through amortized cost and the distribution of the related interest income to the related period. Effective interest ratio is the rate that reduces the estimated cash total to be collected during the expected life of the financial instrument or within a shorter period of time, when applicable, to the current net value of the financial instrument

The incomes related to the financial assets classified apart from the financial assets at fair value through profit or loss, and available-for-sale equity instruments are calculated using the effective interest method.

b. Financial assets at fair value through profit or loss

In the event that the Company acquires the financial assets primarily in order to sell them in the near term, the financial assets are a part of a financial instrument portfolio defined and managed by the Company, and as in all the derivative products not designated as effective hedging instruments, the short-term profits of the financial assets are realized, the stated financial assets are classified as the financial assets at fair value through profit or loss. Losses or profits arising from the fair value validation of the financial assets at fair value through profit or loss are recognized in profit/loss. Net gains or losses recognized in profit or loss include the interest and/or dividend amount acquired from the stated financial asset.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

c. Held-to-maturity investments

They are classified as the held-to-maturity investments that have either fixed or determinable payments, or fixed-term debt instruments and for which an entity has both the ability and the intention to hold to maturity. The held-to-maturity investments are recognized deducting the impairment amount from the amortized cost based on the effective interest model and the related incomes are calculated using the effective interest method.

The Company has no held-to-maturity investments.

d. Available-for-sale financial assets

They are classified as the publicly quoted equity instruments held by the Company and traded in an

active market and the financial assets some of the debt securities of which are ready to be sold and they are shown at fair value. The Company has equity instruments classified as the financial assets not publicly quoted and not traded in an active market but ready to be sold; and their fair values cannot be measured reliably; therefore, they are shown at amortized costs. Impairments on the statement of income and the gains and losses arising from the changes in the fair value, except for the exchange difference profit/loss amount regarding the interest and monetary instruments calculated using the effective interest method are recognized within the other comprehensive income and accumulated in the financial assets appreciation fund. In case the investment is sold or subjected to impairment, the total profit/loss accumulated in the financial assets appreciation fund are classified in the statement of income.

Dividends associated with the available-for-sale equity instruments are recognized in profit/loss when the Company is vested to receive the related payments.

The fair value of the available-for-sale financial assets in foreign currency is calculated by converting the current value in the related foreign currency to the reported currency using the conversion rate valid on the reporting date. The changes in the fair value of the asset that arise from the conversion rate are recognized in profit/loss, while other changes are recognized under equity.

e. Impairment in financial assets

The financial assets other than the ones at fair value through profit or loss are evaluated to find some indicators on whether a financial asset or a group of financial assets is impaired or not on each balance sheet date. In the event that one or more than one incidents happen after the first recognition of the financial assets and there is an objective indicator showing that the stated loss having an impact on the estimated cash flows of the related financial asset or the financial asset group, which can be reliably estimated, has caused the financial asset to be impaired, the impairment occurs and the impairment loss arises. The impairment amount for the loans and receivables is the difference between the current value of the anticipated cash flows calculated discounting over the basic interest rate of the financial asset and the book value.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Except the trade receivables the book value of which is decreased using an allowance account, the impairment in all the financial assets is deducted from the quoted value of the asset directly. In case the trade receivable cannot be collected, this amount is written off by being deducted from the allowance account. The changes in the allowance account are recognized in profit or loss.

Except the available-for-sale equity instruments, if the impairment loss decreases in the next term and can be associated with an event that happens after the recognition of the impairment loss, the impairment loss recognized before is cancelled in profit / loss not to exceed the amortized cost to reach in the event that the impairment of the investments is never recognized on the date of cancellation of impairment

The increase in the fair value of the available-for-sale equity instruments after the impairment is recognized directly in equities.

Financial liabilities

The financial liabilities and equity instruments of the Company are classified based on contractual arrangements and the definition basis of a financial liability and equity-based instrument. The contract representing the right in the remaining assets after deducting all the debt of the Company is the equity financial instrument.

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

f. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss, is recognized in their fair values and in each reporting term, revaluated in their fair values on the balance sheet date. A change in the fair values is recognized in the statement of income. Net gains or losses recognized in the statement of income include the interest rate paid for stated financial liability.

g. Other financial liabilities

Other financial liabilities are recognized in their fair values, net of the initial trading costs.

Other financial liabilities are recognized on the interest expenditure calculated over the effective interest rate in and the amortized cost through the effective interest method in the next terms.

Effective interest method is the validation of the financial liability through calculating the amortized cost and the distribution of the related interest expenditure to the related period. Effective interest ratio is the rate that reduces the estimated cash total to be collected during the expected life of the financial instrument or within a shorter period of time, when applicable, to the current net value of the financial liability.

h. Derivative financial instruments

Derivative financial instruments, including forward foreign 64xchange contracts, are initially recognised on the balance sheet at cost including transaction costs 64xchang subsequently re-measured at their fair value. The income and losses recognised in derivative transactions change according to how they are classified. Income and losses from derivatives designated to effectively hedge cash-flow risk are recognised as equity. The Company's derivative transactions, even though providing effective economic hedges under the Company's risk management

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

position, do not qualify for hedge accounting and are therefore initially recognised at cost and subsequently valued at fair value. The fair value gains and losses are recognised in the income statement.

2.8.3. Borrowings and Receivables

Factoring receivables and other receivables

Factoring receivables and other receivables are recognized at fair value at the date of initial recognition. Receivables other than discounting factoring receivables are stated at amortized cost using the effective interest method in the subsequent reporting periods. The Company management foresees that the discounted value is close to its fair value due to the consideration of the discount transaction during the initial registration of the discount factoring receivables

The factoring receivables provision 65xchang impairment is established based on a credit review of the receivables portfolio as a whole including all the non-performing factoring receivables in the portfolio of the Company. The Company has set this provision in accordance with the Communiqué of BRSA named "The Procedures Regarding the Provisions to Be Provided 65xchang Loans of Leasing, Factoring and Consumer Finance Companies" ("Provisions Communiqué") which was published in the Official Gazette dated 24 December 2013 and numbered 28861. According to the Provisions Communiqué, specific provisions are set in following proportions: minimum 20% for collateralized factoring receivables which related collections are not received after 90 to 180 days past due, minimum 50% for collateralized factoring receivables which related collections are not received after 180 to 360 days past due and 100% for collateralized factoring receivables which related collections are not received after 1 year past due.

In addition, the Company allocates general allowances over the factoring receivables in accordance with the principle of prudence based on the collection statistics and type of guarantee and all the data on the creditworthiness of the debtors for factoring receivables.

Factoring receivables whose receivables are overdue less than 360 days are classified under doubtful receivables and factoring receivables that are overdue more than 360 days are classified doubtful receivables.

Receivables that cannot be recovered are written off and charged against the provision for impaired factoring receivables. These receivables are written off after all the necessary legal procedures have been completed and the amount of the loss is finally determined. Recoveries of amounts previously provided for the treated as a reduction of the charge for provision for impaired factoring receivables for the period.

2.8.4. Fixed Assets

Property and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Cost amounts of property, plant and equipment are amortized on a straight-line basis over their estimated useful lives. Estimated useful lives of the related assets are given below.

	Useful lives
Motor vehicles	5
Furniture and fixtures	5
Leasehold improvements	5 years or shorter than rental period

2.8.4 Fixed Assets (Continued)

Estimated useful life, residual value and depreciation method are reviewed annually for the probable effects of changes in estimates for accounted for on a prospective basis if there is a change in estimates.

Amounts spent for repair, maintenance and repair of tangible assets are recorded as expense. The gain or loss arising from the disposal of tangible fixed assets or the removal of a tangible fixed asset from service is determined as the difference between the sales proceeds and the carrying amount of the asset and is included in the income statement.

Intangible assets

Purchased intangible assets are carried at cost less accumulated amortization and accumulated impairment losses. These assets are amortized on a straight-line basis over their expected useful lives. Expected useful life and amortization method are reviewed annually and the changes in estimates are accounted for on a prospective basis to determine the possible effects of the changes in estimates.

Purchased computer software is activated at the time of purchase and at the costs incurred until purchase is ready without purchasing. Such costs are amortized over their useful lives (5 years).

Assets from leasing operations

Leases where a significant part of the risks and rewards of ownership are retained by the lessee are classified as finance leases, while other leases are classified as operating leases.

Assets held under finance leases are capitalized using the fair value of the asset at the date of the lease or the present value of the minimum lease payments. The obligation against the lessor is shown as a financial lease obligation in the balance sheet. Finance lease payments are settled as a principal payment, which provides for a reduction in the funding obligation and the financial lease obligation, thereby allowing the borrower to calculate interest on a fixed basis over the remaining principal. Financial expenses are recorded in the income statement, except for the capitalized part of the finance expense under the general borrowing policy detailed above.

Payments made under operating leases (incentives received or to be incurred in order to realize lease rentals are recorded in the income statement on a straight-line basis over the lease period) are recorded in the profit or loss table on a straight-line basis over the lease period.

Impairment of assets

For assets subject to repayment, the impairment test is applied if it is not possible to recover the carrying amount. An impairment loss is recognized if the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the fair value obtained after deducting the

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

sales costs or the greater of the value in use. For the purpose of assessing the depreciation, assets are grouped at the lowest level where there are separately identifiable cash flows (cash-generating units). Non-financial assets subject to impairment are reviewed at each reporting date for possible reversal of impairment.

2.8.5. Borrowing costs

All borrowing costs are recorded in the income statement in the period in which they are incurred.

2.8.6. Effects of changes in currency

Financial statements of the Company have been presented using the currency (functional currency) of the economic environment in which the Company operates. The financial position and the results of operations of the Company have been presented in the Turkish Lira ("TL").

As of 31 December 2016 and 31 December 2015, exchange rates of the foreign currencies used by the Company are as follows:

	31 December 2016	31 December 2015
USD	3.5192	2.9076
Euro	3.7099	3.1776

The transactions recognized in a foreign currency (non-TL currencies) in the legal records of the Company are converted into TL using the exchange rate on the date of transaction. The foreign exchange monetary assets and debt included in the balance sheet have been converted into Turkish Lira using the prevalent exchange rates on the balance sheet date. Non-monetary items in the foreign currency measured at fair value are converted using the exchange rates on the date when the fair value is set. Non-monetary items in the foreign exchange denominated in historical costs cannot be reconverted. Foreign exchange profits and losses arising from the conversion of the monetary items and the collection and redemption of the foreign exchange transactions are given in the statement of income.

2.8.7. Revenue

Factoring services income consists of interest income which has been collected from cash payments to customers. A certain percentage of total amount of invoices which comes from factoring transactions has created factoring commission income. Commission income and other income and expenses are accounted for on an accrual basis.

The interest income from financial assets have been accrued on the period which principal amount of the financial asset for the expected life of the financial asset the estimated future cash flows to the carrying value of the asset in question on effective interest rate.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.8.8. 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.

Companies in Turkey raise their capital with "bonus share" which is distributed from retained earnings and revaluation funds. This type of "bonus share" distributions are evaluated as all the issued shares in the period in financial tables on earnings per share calculation. Accordingly, weighted average number of shares used in this calculation have been found by calculating retrospective effects of share distribution.(Note 30)

2.8.9. Subsequent events

Even if the events after the balance sheet date arise after any announcement of financial statements or public disclosure of other selected financial information, they cover all the events between the balance sheet date and the date of authorization for the release of the balance sheet.

In case that any event required to be adjusted occurs after the balance sheet date, the Company adjusts the amounts listed in the financial statements in line with the new position (Note 33).

2.8.10. Allowances, Contingent Liabilities and Contingent Assets

In the event that there is a current liability arising from the past events, it is possible to fulfill the liability and the liability amount can be reliably estimated, allowance (provision) is allocated in the financial statement.

The amount allocated as allowance is calculated through estimating the expenditure to be made to fulfill the liability as of the balance sheet date, considering the risks and uncertainties about the liability.

In the event that the allowance is calculated using the required estimated cash flows to meet the current liability, the book value of the stated allowance is equal to the current value of the related cash flows.

In the event that all or a part of the economic benefits required to pay the allowance is expected to be met by third parties, the amount receivable is recognized as asset in case that the collection of the related amount is almost certain and measured reliably.

2.8.11. Segment reporting

Since the Company operates in Turkey and only in the factoring area, it does not report its financial information per section.

2.8.12. Taxation on income

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

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Current Tax

Current year tax liability is calculated on the part of the period profit subject to taxation. The taxable profit differs from the profit stated in the income statement because it excludes income or expense items that can be taxable or deductible in other years and items that are not taxable or deductible. The Company's liability for current tax is calculated using tax rates enacted or substantively enacted by the balance sheet date (Note 29).

Deferred tax

Deferred tax liability or asset are determined calculating the temporary differences between the amounts of assets and liabilities given in the financial statements and the amounts taken into consideration in the legal tax basis based on the tax rates of the legalized or partially legalized tax effects in accordance with the balance sheet method. While deferred tax liabilities are calculated for all the taxable temporary differences, deferred tax liabilities arising from deductible temporary differences are calculated, it is highly possible to benefit from these differences to make taxable profit in the future. The deferred tax liabilities or assets related to the temporary timing differences that do not affect both the trade and financial profit or loss and arise from the inclusion of the assets other than goodwill or business combination are not calculated.

Deferred tax liabilities are recognized for all taxable temporary differences that are attributable to investments in joint ventures and associates and joint ventures, except where the Company is able to control the reversal of temporary differences and the probability of such reversal in the near future is low. Deferred tax assets resulting from taxable temporary differences associated with such investments and shares are calculated on the condition that it is highly probable that future taxable profit will be available against which the deductible tax profit can be utilized and that it is probable that these differences will reverse in the future.

Carrying value of the deferred tax asset is reviewed as of each balance sheet date. To the extent that it is not possible to make financial profits that would allow acquiring benefits by some or the entire deferred tax asset, the quoted value of the deferred tax is reduced.

Deferred tax assets or liabilities are calculated over the tax rates (tax adjustments) expected to be valid in the period when the assets are recognized or the liabilities are fulfilled and legalized as of the balance sheet date or substantially legalized. In calculating the deferred tax assets or liabilities, the tax results of the methods that the Company estimates to recover the book value of its assets or fulfill its liabilities as of the balance sheet date are considered.

The deferred tax assets or liabilities are set off in the event that there is a legal right on offsetting the current tax assets with the current tax liabilities or the related assets or liabilities are associated with the income tax collected by the same tax authorities or the Company is intended to pay the current tax assets and liabilities on a net basis.

The current taxes and the deferred taxes of the related period other than the ones associated with the items (in this case, the related deferred tax is recognized directly in equity) directly recognized as receivables or debt in equity and arising from the initial recognition of the business combinations are

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

recognized as income or expenditure in the statement of income.

2.8.13. Employment termination benefits

Employment termination benefits provisions

Obligations related to employee termination and vacation rights are accounted for in accordance with "Turkish Accounting Standard for Employee Rights" ("TAS 19") and are classified under "reserve for employee benefits" account in the balance sheet.

Under the Turkish Labour Law, the Company is required to pay a specific amount to the employees who have retired or whose employment is terminated other than the reasons specified in the Turkish Labour Law. The Company provides provision for retirement and termination liabilities by estimating the net present value of future payments of the Company arising from the retirement of employees and reflects this provision amount in the financial statements.(Note 18)

Actuarial gains and losses arising from changes in the actuarial assumptions or differences between the actuarial assumptions and the realizations in the calculation of the Group's obligation under the TAS 19, which is updated with the Communiqué published in the Official Gazette dated March 12, 2013 and numbered 28585 Losses should be accounted for under "Other comprehensive income" under "Profit or loss and other comprehensive income" in the annual reporting periods beginning on or after January 1, 2013. The Group has accounted for actuarial gains and losses arising from the reporting periods beginning on or after 1 January 2013 under "Other comprehensive income" and the related accumulated gains and losses are recognized in the "Financial position" account under "Equity" in the "Other comprehensive income or expense accruals that will not be reclassified to profit or loss" account.

The employment termination liability recognized in the balance sheet is calculated based on the net current value of the liability amount expected to arise in the future due to the retirement of all the employees and shown in the financial statements.

Bonus payments

The Company records the bonus payments as liability and expense which are calculated based on a method that takes in to consideration the shareholders profit after certain post adjustments. The company also makes provisions in cases of an existing contractual obligation or a liability from past implementations.

2.8.14. Cash Flow Statement

In the cash flow statement, the cash flows related to the turnover are reported in a form that is based on the underlying investment and financing activities.

Cash flows from operating activities represent the cash flows from the Company's factoring operations.

Cash flows related to investment activities represent the cash flows the Company uses in its investment activities (fixed investments and financial investments).

Cash flows related to financing activities represent the resources the Company uses in its financing activities and the repayments of those resources.

2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.8.15. Shareholders' equity and dividends

The ordinary shares are classified as share capital. The dividends distributed over the ordinary shares are recognized in the period when they are declared. The necessary expenses that incur directly from the increase in share capital, are recognized under total paid-in capital

3 - CRITICAL ACCOUNTING EVALUATIONS, ESTIMATES AND ASSUMPTIONS

The Company prepares its financial statements based on the going concern principal.

Preparing the financial statements requires making assumptions and estimates that affect the amounts of assets and liabilities reported as of the balance sheet date or amounts of contingent assets and liabilities declared and the income and expenditure amounts reported in the related period.

These estimates are based on the best opinions and knowledge of the management and the actual results may be different from these estimates.

Important evaluations, estimates and assumptions that may have effects on the financial statements and may cause significant changes in the carrying amount of the assets and liabilities within the next year are as follows:

Allowance for impairment of factoring receivables

The assumptions and methods used to be able to estimate the time and amount of the cash flows to arise from factoring receivables in the future are frequently reviewed in order to reduce the difference between the impairment estimates on the factoring receivables and the actual losses.

Recognition of deferred tax asset

Deferred tax assets can be recorded as much as the said tax benefit is probable. Amount of taxable profits and possible tax benefits in the future is based on medium term business plan and expectations prepared by the company. The business plan is based on rational expectations of the company under current circumstances.

The Company maintains its books of account and prepares them in accordance with Turkish Accounting/Financial Reporting Standards ("TAS/TFRS") and the interpretations and with the Communiqué: "Regulation on Principles for establishment and operations of Financial Leasing, Factoring and Financing Companies" issued by BRSA in the Official Gazette numbered 28861 dated 24 December 2013. The company recognizes deferred tax asset based on doubtful factoring receivables provisions and forsees that these provisions will be deducted as a corporate tax excemption and the Company will take advantage of the deferred tax assets in the following periods.

4 - FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Trading financial assets and liabilities

None (31 December 2015: None).

Trading derivative financial assets and liabilities

As of 31 December 2016, held for trading derivative financial assets consist of fair value of the Company arising from forward purchase and sale transactions amounting to TL 11. (31 December 2015: TL 10).

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

5 - CASH EQUIVALENTS AND BANKS

	2016	2015
Cash	1	1
Banks		
- Demand deposits	*67*	*268*
	68	**269**

6 - FACTORING RECEIVABLES

The details of the factoring receivables as of 31 December 2015 and 31 December 2016 are as followings:

	2016	2015
Factoring receivables	162,909	216,221
Unearned interest income	(5,797)	(8,654)
Doubtful factoring receivables (*)	7,936	11,258
Doubtful receivables, gross	165,048	218,825
Allowances for doubtful receivables	(6,666)	(9,054)
Factoring receivables	**158,382**	**209,771**

(*) The amounts are classified within the factoring receivables in the balance sheet.

The change in the provision for doubtful factoring receivables as of 31 December 2016 and 2015 is as follows:

	2016	2015
Beginning of the period - 1 January	**9,054**	**4,867**
Charge for the year	4,829	4,463
Collections (Note 25)	(1,131)	(276)
Disposals (*)	(6,086)	-
End of the period - 31 December	**6,666**	**9,054**

(*) The Company has assigned the following factoring receivables amounting to TL 6,086 to Final Varlık Yönetimi A.Ş.

As of 31 December 2016, factoring receivables amounting to TL 183 (31 December 2015: TL 988) is past due and the overdue period is less than 90 days and the Company's management does not anticipate a change in the collection quality of these receivables and accordingly it is assessed as collectible. The aging of the last part of these receivables and the installments that have not yet arrived in the valley are as follows:

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

6 - FACTORING RECEIVABLES (Continued)

	2016	2015
Up to 30 days	269	384
30 days to 60 days	124	553
61 days to 90 days	295	51
Over due part	**688**	**988**
Not over due part	**29**	**525**
Total	**717**	**1,513**

The Company has not received any collateral for factoring receivables that are not past due and not impaired.

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

6 - FACTORING RECEIVABLES (Continued)

The sectoral breakdown of net factoring receivables as of 31 December 2016 and 2015 is as follows:

	2016		2015	
	TL (*)	**Ratio %**	**TL (*)**	**Ratio %**
Construction	84,104	51.41	60,272	27.77
Metal main industry and processed material production	11,685	7.14	29,702	13.69
Electrical and optical appliances industry	11,632	7.11	12,783	5.89
Transport, storage and communication	10,956	6.70	21,447	9.88
Nuclear fuel, petroleum products coal products industry	9,618	5.88	5,634	2.60
Machinery and equipment industry	6,784	4.15	13,298	6.13
Other non-metallic minerals industry	4,811	2.94	10,580	4.88
Food, beverage and tobacco industry	3,735	2.28	15,080	6.95
Rubber and plastic products industry	3,307	2.02	4,821	2.22
Textile and textile products industry	3,011	1.84	7,330	3.38
Real estate commission, leasing and business activities	2,525	1.54	5,146	2.37
Agriculture, animal husbandry, forestry	1,856	1.13	2,263	1.04
Manufacturing industries not elsewhere classified	1,636	1.00	8,090	3.73
Wood and wood products industry	1,581	0.97	1,231	0.57
Chemical and chemical products	1,236	0.76	3,633	1.67
Wholesale and retail trade engine service	1,200	0.73	2,897	1.33
Transport vehicles industry	884	0.54	1,516	0.70
Electric gas and water sources	836	0.51	1,470	0.68
Paper raw materials and paper products printing industry	707	0.43	1,893	0.87
Hotels and restaurants (Tourism)	552	0.34	3,798	1.75
Taking out non-energy producing mines	446	0.27	841	0.39
Other social and personal services	264	0.16	1,689	0.78
Leather and leather products industry	132	0.08	68	0.03
Health and social services	74	0.05	995	0.46
Financial intermediation	15	0.01	38	0.02
Taking out energy producing mines	-	0.00	463	0.21
International organizations and organizations	-	0.00	38	0.02
	163,587	**100.00**	**217,016**	**100.00**

(*) The related factoring receivables also include BITT and unearned income totals.

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

6 - FACTORING RECEIVABLES (Continued)

The Company's doubtful factoring receivables aging as follows:

	2016	2015
Up to 90 days	636	180
Between 90 - 180 days	-	1,132
Between 180 - 360 days	1,507	2,255
Over 360 days	5,793	7,691
Total	**7,936**	**11,258**

As of 31 December 2016, the Company has not received any collateral for non-performing factoring receivables.(31 December 2015: None)

In 2016, a protocol has been signed for the factoring receivables amounting to TL 926 (31 December 2015: TL 1,354) and these receivables are collected as TL 371 (31 December 2015: TL 187) as of the balance sheet date.

7 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

	2016	2015
Other expenses to related parties		
AB Holding A.Ş. (*)	299	278
Dividend paid to related parties		
AB Holding A.Ş.	2,201	3,835
Other Partners	34	60
Total	**2,235**	**3,895**
Given securities:		
AB Holding A.Ş.	-	126
Payments made to members of the board and key management personnel: (**)		
Fees and other short-term benefits (***)	1,442	1,403

(*) It consists of the rent expense of the company.

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

(***) The amount consists of other expense items as well as wages.

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

8 - TANGIBLE ASSETS

	1 January 2016	Additions	Disposals	31 December 2016
Cost:				
Furniture and fixtures	2,295	315	(50)	2,560
Vehicles	1,013	471	(407)	1,077
Leasehold improvements	202	5	-	207
	3,510	**791**	**(457)**	**3,844**
Accumulated depreciation:				
Furniture and fixtures	(1,960)	(126)	6	(2,080)
Vehicles	(387)	(161)	198	(350)
Leasehold improvements	(103)	(27)	-	(130)
	(2,450)	**(314)**	**204**	**(2,560)**
Net book value	**1,060**	**477**	**(253)**	**1,284**

	1 January 2015	Additions	Disposals	31 December 2015
Cost:				
Furniture and fixtures	2,211	267	(183)	2,295
Vehicles	937	267	(191)	1,013
Leasehold improvements	166	36	-	202
	3,314	**570**	**(374)**	**3,510**
Accumulated depreciation:				
Furniture and fixtures	(1,851)	(213)	104	(1,960)
Vehicles	(342)	(158)	113	(387)
Leasehold improvements	(63)	(40)	-	(103)
	(2,256)	**(411)**	**217**	**(2,450)**
Net book value	**1,058**			**1,060**

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

9 - INTANGIBLE ASSETS

	1 January 2016	Additions	Disposals	31 December 2016
Cost:				
Rights	375	-	-	375
Accumulated amortization:				
Rights	(370)	(2)	-	(372)
Net book value	**5**	**(2)**	**-**	**3**

	1 January 2015	Additions	Disposals	31 December 2015
Cost:				
Rights	370	5	-	375
Accumulated amortization:				
Rights	(343)	(27)	-	(370)
Net book value	**27**	**(22)**	**-**	**5**

10 - ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)

The movement schedule of assets held-for-sale for the years ended 31 December 2016 and 2015 is as follows:

	1 January 2016	Additions	Disposals	31 December 2016
Plant	-	12	-	12
Buildings	49	-	-	49
	49	**12**	**-**	**61**

	1 January 2015	Additions	Disposals	31 December 2015
Plant	-	-	-	-
Buildings	49	-	-	49
	49	**-**	**-**	**49**

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

11 - DEFERRED TAX ASSETS AND LIABILITIES

The Company calculates and accounts deferred tax asset and liabilities for all temporary differences arising between the statutory financial statements and TFRS financial statements.

Deferred tax and liabilities are levied at the rate of 20% (31 December 2015: 20%)

Details of cumulative finance differences and resulting deferred tax assets and liabilities provided as follows:

	Total Temporary differences		Deferred tax assets/ (liabilities)	
	2016	**2015**	**2016**	**2015**
Factoring asset receivable impairment	-	1,364	-	273
Unearned factoring income	684	1,080	137	216
Provision for employee termination benefit	335	409	66	82
Deferred tax assets	**1,019**	**2,853**	**203**	**571**
Provision of factoring Asset impairment	(282)	-	(56)	-
Deferred tax liabilities	**(282)**	**-**	**(56)**	**-**
Deferred tax assets, (net)	**737**	**2,853**	**147**	**571**

Deferred tax asset/ (liability) movements:	**2016**	**2015**
1 January	571	463
Current year deferred tax (income)/ expense (Not 29)	(469)	55
Deferred tax in Equity income/expense	46	53
31 December, closing balance	**147**	**571**

12 - OTHER RECEIVABLES

	2016	**2015**
Receivables from litigation and court expenses	56	58
Other (*)	1,140	1,081
	1,196	**1,139**

(*) TL 679 of the related amount consists of customer's BITT amount of discounted factoring receivables.
(31 December 2015: TL 795 of the consists of the customer's BITT amount of discount factoring receivables.).

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

13 - BORROWINGS

	2016	2015
Financial Liabilities:		
Borrowings	92,626	137,410
Rediscount of interest and expenses	2,640	3,630
Total Financial Liabilities	**95,266**	**141,040**

	2016			2015		
	Average interest rate (%)	Original currency	TL	Average interest rate (%)	Original currency	TL
Domestic banks						
Fixed rate borrowings:						
-TL	14.60	95,266	95,266	12.03	141,040	141,040
		95,266	**95,266**		**141,040**	**141,040**

As of 31 December 2016, the weighted average interest rate for the loans received amounting to TL 95,266 (31 December 2015: TL 141,040) is 14.60% and the maturity interval is shorter than 1 year (31 December 2015: The interest rate is 12.03 % and the maturity interval is shorter than 1 year).

14 - OTHER PAYABLES

	2016	2015
Payables to outsource services	63	31
Total	**63**	**31**

	2016	2015
Commissions given in advance	684	1,080
Total	**684**	**1,080**

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

15 - FACTORING PAYABLES

	2016	2015
Payables for factoring companies (*)	32,464	40,818
Payables for factoring clients	35	96
Total	**32,499**	**40,914**

(*) Debts to factoring companies arise from the transfer of bills received from customers to other factoring companies.

16 - LEASE PAYABLES

	2016	2015
Lease payables	206	59
Minus: Cost of deferred lease payable	(10)	(4)
Total	**196**	**55**

17 -TAX ASSETS AND LIABILITIES

	2016	2015
Social security payables	250	149
Income tax payables	193	166
BITT Payables	166	286
Other taxes	5	7
Total	**614**	**608**

18 - EMPLOYMENT BENEFIT OBLIGATIONS

<u>Provision of employee rights liability:</u>

	2016	2015
Provision of employment termination benefits	335	409
Total	**335**	**409**

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

18 - EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Provision of employment termination benefits

The Company is obliged to pay termination indemnity to a certain amount of the employee who leaves the job for retirement after having served for at least one year in accordance with the current labor law or who is terminated for reasons other than resignation or misconduct. The amount payable consists of one month's salary for each year of service and is limited to TL 4,426 (31 December 2015: TL 3,828) as of 31 December 2016.

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The TAS/TFRSs issued by the Public Oversight Accounting and Auditing Standards Authority ("POA") foresees the development of actuarial valuation methods to estimate the Company's employment termination benefit provision.

	2016	**2015**
Discount rate (%)	4.21	4.15

The principal assumptions are to increase the maximum liability for each year of service, effective from 1 January 2006, in line with inflation. The discount rate thus applied represents the expected rate of actual inflation. The termination indemnity ceiling is revised semi-annually and calculated on the basis of 4,426 TL (1 January 2015: 3,828 TL), which is effective from 1 January 2016, in calculating the provision for employment termination benefits of the Company.

The movement of the reserve for employment termination benefits between 1 January - 31 December 2016 and 1 January - 31 December 2015 is presented below:

	2016	**2015**
Opening balance, 1 January	**409**	**207**
Service cost	48	90
Interest cost	40	45
Payments during the year	(391)	(195)
Actuarial loss	229	262
End of the period, 31 December	**335**	**409**

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

19 - SHAREHOLDERS' EQUITY

	2016		2015	
Shareholders	**Share %**	**Amount**	**Share %**	**Amount**
AB Holding A.Ş.	%98	19,693	%98	19,693
Murat Başer	%1	245	%1	245
Mediha Başer	<%1	31	<%1	31
Neslihan Başer	<%1	31	<%1	31
Hasan Başer	<%1	-	<%1	-
Total	**100**	**20,000**	**100**	**20,000**

The paid-in capital of the Company as of 31 December 2016 is TL 20,000 thousand (31 December 2015: TL 20,000 Thousand). As of 31 December 2016 and 2015, the paid-in share capital consists of 20,000,000 shares each having a nominal value of TL 1 (31 December 2015: 20,000,000 shares). The Company does not have preferred shares.

20 - PROFIT RESERVES

	2016	**2015**
Legal reserves	5,902	5,606
Other profit reserves	209	209
Total	**6,111**	**5,815**

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can be used only to offset losses and are not available for any other utilization unless they exceed 50% of paid-in share capital.

21 - FOREIGN CURRENCY POSITION

The Company is exposed to currency risk due to the exchange rate used in the translation of foreign currency denominated assets and liabilities into Turkish Lira. The Company has net foreign currency short position due to foreign currency denominated banks. In this framework, the Company monitors its foreign exchange risk through the analysis of foreign exchange position positions.

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

21 - FOREIGN CURRENCY POSITION (Continued)

As of 31 December 2016, details of assets and liabilities denominated in foreign currencies are as follows : (31 December 2015 : None).

	Original currency		
31 December 2016	**Euro**	**US Dollar**	**TL**
Other receivables	0.72	-	3
Total Foreign Currency Assets	**0.72**	-	**3**
Leasing payables	(53)	-	(196)
Total Foreign Currency Liabilities	**(53)**	-	**(196)**
Net financial statement position	**(52)**	-	**(193)**
Off-balance sheet foreign currency position	**19**	**3**	**22**
Net foreign currency position	**(33)**	-	**(171)**

22 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Off-balance sheet commitments:

Collateral informations:	**2016**	**2015**
Received collateral bill (*)	7,001,744	5,828,279
Given guarantee letter (**)	1,891	2,431
Total	**7,003,635**	**5,830,710**

(*) Received collateral consist of guarantees TL 3,134,482, collateral bill to TL 3,849,742, notes receivable to TL 12,120, checks and guarantee notes to TL 5,400 (31 December 2015: Received collateral consist of guarantees TL 2,857,127, collateral bill to TL 2,965,824, notes receivable to TL 2,513, checks and guarantee notes to TL 2,815).

(**) As of December 31, 2016, there is a letter of guarantee amounting to TL 1,891 (December 31, 2015: TL 2,431 of letter of guarantees given).

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

22 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (Continued)

Given securities

	2016	2015
Given securities (*)	-	126
Total	**-**	**126**

(*) As of December 31, 2016, the Company has no guarantees given on behalf of A.B Holding A.Ş. (31 December 2015 The Company has surety given by the Company amounting to TL 122 on behalf of AB Holding A.Ş.).

As of December 31, 2016, the Company has available credit limit amounting to TL 143,335 (31 December 2015:TL 74,993).

Items held in custody:

	2016	2015
Cheques for collection	177,181	245,177
Total	**177,181**	**245,177**

23 - OPERATING INCOME

	2016	2015
Factoring interest income	36,452	34,775
Factoring commission income	5,607	6,209
Factoring cost income	365	662
	42,424	**41,646**

24 - OPERATING EXPENSES

Operating expenses for the periods ended 31 December 2016 and 2015 are as follows:

	2016	2015
Personnel expenses	8,363	8,769
General operating expenses	3,869	4,505
Depreciation and amortisation expense (Note 7, 8)	305	438
Employee Termination Benefit provisions	-	135
	12,537	**13,847**

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

24 - OPERATING EXPENSES (Continued)

The operating expenses for the periods ended 31 December 2016 and 2015 are as follows:

	2016	2015
Personnel expenses	8,363	8,769
Transportation expenses	677	772
Rent expenses	604	577
Communication expenses	422	10
Depreciation and amortisation expense	305	438
Consulting and intelligence expenses	219	327
Legal fees and other taxes	183	82
Non deductible expenses	176	369
Maintenance expenses	147	126
Office expenses	138	130
Transportation and travel expenses	79	105
Insurance expenses	30	37
Provision Expense for employment termination benefits	-	135
Other expenses	1,194	1,970
Total	**12,537**	**13,847**

25 - OTHER OPERATING INCOME

	2016	2015
Collections from doubtful receivables	1,131	276
Fixed asset sales profit	129	24
Derivative transactions gain	33	147
Interest income on deposit	21	107
Foreign exchange gain	4	1
Other	504	593
	1,822	**1,148**

26 - FINANCIAL EXPENSES

	2016	2015
Interest expense on borrowings	15,671	16,999
Interest expense on factoring payables	4,868	3,049
Financial leasing expenses	12	11
	20,551	**20,059**

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

27 - SPECIFIC PROVISIONS FOR DOUBTFUL RECEIVABLES

	2016	2015
Specific provision expense	4,829	4,463
	4,829	**4,463**

28 - OTHER OPERATING EXPENSE

	2016	2015
Foreign exchange losses	5	5
	5	**5**

29 - TAXES

The company is subject to the corporate in Turkey. Provision is made in the accompanying financial statements for the estimated tax liabilities related to the Company's results for the current period.

The tax base after deducting the non-deductible income, non-taxable incomes and other deductions
(if there are previous year losses and preferred investment incomes) are added to the expense that can not be deducted from the expense tax statement in determining the commercial income
.

The deferred tax assets and liabilities are calculated with the effective rate of %20 in 2016. (2015: %20).

In Turkey, temporary tax is calculated and accrued on a quarterly basis. Provisional tax at the rate of 20% was calculated on the corporate earnings in the course of the taxation of the corporation earnings of 2016 according to the temporary tax periods (2015: 20%).

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the period which lasts until the 25th of the fourth month following the close of the financial year to which they relate. Tax authorities have the right to audit accounting records returns for five years and may issue
re-assessments based on their findings.

Income Withholding Tax

In addition to corporation tax, income withholding tax shall be additionally calculated on profit shares except dividends paid to full-fledged taxpayer corporations that acquire dividends in case of distribution and include these dividends in corporate income and distribute to branches in Turkey of foreign companies. Income withholding tax was applied as 10% in all companies between 24 April

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

29 – TAXES (Continued)

2003 and 22 July 2006. This rate has been applied as 15% since 22 July 2006 with the decision of the Council of Ministers No. 2006/10731. Dividends that are not distributed and added to the capital are not subject to withholding tax.

Current year tax expenses of the Company for the years ended 31 December 2016 and 2015 are as follows:

	2016	**2015**
Corporate tax provision	(960)	(1,308)
Deferred tax (expense)/income (Note 11)	(469)	55
	(1,429)	**(1,253)**
Current period tax provision	960	1,308
Prepaid corporate tax (-)	(474)	(1,121)
	486	**187**
Profit before tax	**6,324**	**4,420**
Theoretical tax expense with 20% tax rate	(1,265)	(884)
Non-deductible expenses and other additions	(223)	(377)
Other deductions and exemptions	59	8
	(1,429)	**(1,253)**

30 - EARNINGS PER SHARE

Earnings per share disclosed in the income statement is calculated by dividing net profit for the period to weighted average number of shares.

In Turkey, companies may increase their capital by distributing shares ("Bonus Shares") to existing shareholders in proportion to their share of accumulated profits. When earnings / (loss) per share is calculated, these bonus shares are considered as issued shares. Therefore, the weighted average of the weighted average number of shares used in the calculation of earnings / (loss) per share is obtained by applying the retrospective application of the issuance of shares. There is no difference between basic and diluted earnings per share for any period.

	2016	**2015**
Current period net profit	4,895	3,167
Weighted average number of shares	20,000,000	20,000,000
Profit per share	**0.2448**	**0.1584**

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

31 - OTHER EXPLANATIONS AND NOTES RELATED TO THE FINANCIAL STATEMENTS THAT ARE REQUIRED IN ORDER TO PROVIDE FAIR AND UNDERSTANDABLE FINANCIAL STATEMENTS

None. (31 December 2015: None).

32 - ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS

Capital Risk Management

In capital management, the company aims to increase its profit by using the balance of debt and equity most efficiently while trying to maintain the continuity of its activities.

The purpose of the Company's capital management; To ensure the continuity of the Company as a revenue generating business, to ensure the benefit of shareholders and corporate partners, and at the same time to ensure the continuity of the most efficient capital structure in order to reduce the cost of capital.

The capital and funding structure of the Company consists of debt including loans, cash and cash equivalents and equity items, including issued capital, reserves and retained earnings.

As of 31 December 2016, the ratio of shareholders' equity to total liabilities is 24% (31 December 2015: 16%).

As of 31 December 2016 and 2015, the ratio of shareholders' equity to net liabilities is as follows:

	2016	2015
Total liabilities	130,143	184,324
Minus: Cash and cash equivalents	(68)	(269)
Net liabilities	130,075	184,055
Total shareholders' equity	31,137	28,659
Shareholders' equity/net liabilities ratio	**%24**	**%16**

Significant accounting policies

Significant accounting policies related to the Company's financial instruments are disclosed in Note 2 "Accounting Policies".

Financial Risk Factors

The Company is exposed to market risk (currency risk, fair value interest rate risk, cash flow interest rate risk), credit risk and liquidity risk due to its activities. The Company's risk

32 - ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)

management program is generally focused on the uncertainty in the financial markets and the minimization of potential adverse effects on the Company's financial performance. The Company uses derivative products time to hedge against various financial risks at times.

Currency Risk

Transactions in foreign currency cause the exchange risk to occur. The Company regularly checks the exchange rate risk arising from the cash flows of its operations and financing agreements. The Company conducts foreign currency denominated checks and foreign currency denominated transactions in order to hedge exchange risk.

As of 31 December 2016, the Company's foreign currency denominated monetary assets and liabilities are stated in Note 21 (31 December 2015: None).

Foreign currency sensitivity

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

The table below shows the sensitivity of the Company to the 10% increase and decrease in USD and EUR exchange rates. The 10% rate is used during the reporting of the foreign exchange risk within the Company to senior management, which means that the rate management is expecting a change in exchange rates. Sensitivity analysis only covers monetary items at the end of the year in terms of open foreign currencies and shows the effect of 10% exchange rate change in the end of the year. Positive value refers to the increase in profit / loss and other equity items. (31 December 2015: Not available).

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

32 - ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)

31 December 2016	**Profit / (Loss)**		**Equity [1]**	
	Appreciation of foreign currency	**Depreciation of foreign currency**	**Appreciation of foreign currency**	**Depreciation of foreign currency**
10% change of the US Dollar against TL				
1-Net USD asset/liability	-	-	-	-
2-Hedged portion of TL against USD (-)	-	-	-	-
3-Net effect of US Dollar(1+2)	-	-	-	-
10% change of the Euro against TL				
4-Net Euro asset/liability	(19)	19	(19)	19
5-Hedged portion of TL against Euro (-)	-	-	-	-
6-Net effect of Euro (4+5)	**(19)**	**19**	**(19)**	**19**
Total (3+6)	**(19)**	**19**	**(19)**	**19**

[1] Equity effects also include amounts that will be reflected in the profit / loss statement.

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

32 - ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)

Interest rate risk management

As of the reporting date, the Company does not have variable rate financial assets and liabilities. However, if the Company borrows at fixed and variable interest rates, the Company may be exposed to interest rate risk. The risk to be incurred in this case is controlled by the Company, with an appropriate distribution between fixed and variable rate debts.

In the analysis of liabilities with variable interest rates, the assumption is made that the amounts at the end of the period are present throughout the year. The Company's management measures interest rate sensitivity of the Company according to a 5% fluctuation in interest rates.

As the Company does not have variable interest rate financial assets and liabilities at the reporting date (2015: None), if there is a 5% decrease / increase in interest rates, the net profit of the Company due to asset and liability balance will not change (2015: will not change) .

Fixed rate financial instruments	**2016**	**2015**
Assets		
Time deposit	-	-
Factoring receivables	157,112	207,567
Liabilities		
Borrowings	95,266	141,040
Factoring payables	32,499	40,914
Lease payables	196	55

Credit Risk Management

Credit risk is basically defined as the possibility that counterparty will fail to meet its obligations in accordance under agreed terms of a contract. The Group aims to reduce exposed credit risks by entering into contracts with the counterparties having high credibility and by obtaining sufficient collateral against the loans provided. The credit risks the company is exposed to and the credit ratings of its customers are monitored continuously. The credit risk is controlled by the limits determined for the customers and reviewed and approved annually by the risk management board.

In addition, the sector and the geographical position of customers, where they operate and other factors that may affect their operations are considered in the evaluation process of loans. Management has a credit evaluation policy to manage and minimize the credit risk. Credit risk is aimed to be controlled by the limits set by the Board of Directors.

The gross amounts of the financial assets presented in the accompanying financial statements without deduction of impairment allowances represent the maximum credit risk of the Company before the securities received are included.

32 - ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)

	Factoring Receivables		
2016	**Related Parties**	**Other Parties**	**Due From banks**
Maximum amount of credit risk exposed as of reporting date (*)	-	158,382	67
- Maximum credit risk secured guarantees etc.	-	-	-
A. Net book value of financial assets either not due or not impaired	-	156,562	-
- Secured by collateral etc.	-	-	-
B. Book value of financial assets with renegotiated conditions, otherwise would be classified as past due or impaired	-	-	-
C. Net book value of assets past due but not impaired	-	550	-
- Secured by collateral etc.	-	-	-
D. Net book value of assets impaired	-	1,270	-
- Past due (gross book value)	-	7,936	-
- Impairment amount (-)	-	(6,666)	-
- Net value secured by guarantees etc	-	-	-
- Past due (gross book value)	-	-	-
- Impairment amount (-)	-	-	-
- Net value secured by guarantees etc	-	-	-
E. Off-balance items exposed to credit risk	-	-	-

(*) When the amount is determined, factors that increase credit reliability, such as collateral received, are not considered.

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

32 - ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)

	Factoring Receivables		
2015	**Related Parties**	**Other Parties**	**Due From banks**
Maximum amount of credit risk exposed as of reporting date (*)			
- Maximum credit risk secured guarantees etc.	-	209,771	268
	-	-	-
A. Net book value of financial assets either not due or not impaired			
- Secured by collateral etc.	-	206,054	268
B. Book value of financial assets with renegotiated conditions, otherwise would be classified as past due or impaired	-	-	-
	-	-	-
C. Net book value of assets past due but not impaired			
- Secured by collateral etc.	-	1,513	-
	-	-	-
D. Net book value of assets impaired			
- Past due (gross book value)	-	2,204	-
- Impairment amount (-)	-	11,258	-
- Net value secured by guarantees etc	-	(9,054)	-
- Past due (gross book value)	-	-	-
- Impairment amount (-)	-	-	-
- Net value secured by guarantees etc	-	-	-
	-	-	-
E. Off-balance items exposed to credit risk			

(*) When the amount is determined, factors that increase credit reliability, such as collateral received, are not considered.

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

32 - ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)

Liquidty risk management

Liquidity risk is the possibility that the Company will be unable to fund its net funding requirements. Liquidity risk can be caused by market disruptions or credit downgrades, which may cause certain sources of funding to dry up immediately. To hedge against this risk, management has diversified funding sources, and assets are managed with liquidity in mind, maintaining a proper balance of cash and cash equivalents. Moreover, the ability to fund the existing and prospective debt requirements and cover withdrawals at unexpected levels of demand is managed by maintaining the availability of adequate funding lines from shareholders and high quality investors.

The following table shows the maturity distribution of the Company's non-derivative financial liabilities. The following tables are prepared based on the earliest date on which the Company's obligations are not discounted and payable. Interests to be paid over these obligations are included in the table below.

2016

Contractual Maturities	Book Value	Contractual Total cash outflow (I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 months (III)	More than 5 years(IV)
Non-derivative financial liabilities						
Borrowings	95,266	95,266	42,905	51,945	416	-
Factoring payables	32,499	32,499	23,763	8,736	-	-
Total Liabilities	**127,765**	**127,765**	**66,668**	**60,681**	**416**	**-**

2015

Contractual Maturities	Book Value	Contractual Total cash outflow (I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 months (III)	More than 5 years(IV)
Non-derivative financial liabilities						
Borrowings	141,040	146,636	72,623	73,830	183	-
Factoring payables	40,914	40,914	30,264	10,650	-	-
Total Liabilities	**181,954**	**187,550**	**102,887**	**84,480**	**183**	**-**

Fair value of financial instruments

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

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicators of the amounts the Company could realise in a current market exchange.

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

32 - ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)

The fair value of financial instruments is calculated on the basis of reliable information available from financial markets in Turkey. Fair values of other financial instruments are determined using assumptions that involve discounting the future cash flows by current interest rates or taking into account the current market value of another financial instrument with similar characteristics.

The fair values of current financial assets and short term borrowings are considered to approximate their respective carrying values due to their short term nature and the insignificant discount effect.

The carrying value of factoring receivables including the provision for doubtful receivables is also considered to approximate the fair value due to their short-term nature.

Classification of fair value measurement

Fair values of financial assets and liabilities are determined as follows:

- Level 1: Financial assets and liabilities are valued at the stock exchange price in an active market for exactly the same assets and liabilities.

- Level 2: Financial assets and liabilities are valued with the inputs used to determine a directly or indirectly observable price other than the stock market price of the relevant asset or liability mentioned in Level 1

- Level 3: Financial assets and liabilities are valued with inputs that cannot be based on data observable in the market and used to determine the fair value of the asset or liability.

The fair value classifications of financial assets and liabilities measured at their fair values are as follows:

As of report date		**Fair value level as of reporting date**		
31 December 2015	**1. Level**	**2. Level**	**3. Level**	**Total**
Financial instruments				
Trading Derivative Financial Assets	-	11	-	11

As of 31 December 2016, the Company has financial assets amounting to TL 11 measured at its fair value. (31 December 2015 : TL 10)

33 - SUBSEQUENT EVENTS

None. (31 December 2015: None).

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