



**Destek Faktoring AŞ and Its Subsidiary**  
**Consolidated Financial Statements**  
As at and for the year ended 31 December 2014  
With Independent Auditors' Report Thereon

11 March 2015

*This report includes 1 page of independent auditors' report and 30 pages of consolidated financial statements together with explanatory notes.*



**Akis Bağımsız Denetim ve Serbest  
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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors of  
Destek Faktoring AŞ  
İstanbul

We have audited the accompanying consolidated balance sheet of Destek Faktoring AŞ ("the Company") and its subsidiary (together "the Group") as at 31 December 2014 and the related consolidated statements of income, stockholders' equity and comprehensive income and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Destek Faktoring AŞ and its subsidiary as at 31 December 2014, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

A member of KPMG International Cooperative

İstanbul,

11 March 2015

**DESTEK FAKTORİNG AŞ AND ITS SUBSIDIARY****CONSOLIDATED BALANCE SHEET**

AT 31 DECEMBER 2014

(Amounts expressed in thousands of US Dollars)

<b>ASSETS</b>	<i>Notes</i>	<b>2014</b>	<b>2013</b>
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	10,387	12,241
Factoring receivables (net)	5	325,745	241,441
Other receivables and other current assets	7	21,728	11,128
Deferred tax assets	15	--	545
<b>Total current assets</b>		<b>357,860</b>	<b>265,355</b>
<b>NON-CURRENT ASSETS</b>			
Available for sale investments	8	69	1
Assets held for sale		76	82
Property and equipment (net)	9	1,838	2,118
Intangible assets (net)	10	335	374
<b>Total non-current assets</b>		<b>2,318</b>	<b>2,575</b>
<b>TOTAL ASSETS</b>		<b>360,178</b>	<b>267,930</b>

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

**DESTEK FAKTORİNG AŞ AND ITS SUBSIDIARY****CONSOLIDATED BALANCE SHEET**

AT 31 DECEMBER 2014

(Amounts expressed in thousands of US Dollars)

<b>LIABILITIES AND EQUITY</b>	<i>Notes</i>	<b>2014</b>	<b>2013</b>
<b>CURRENT LIABILITIES</b>			
Trading liabilities	<i>11</i>	10	1,720
Borrowings	<i>12</i>	207,338	132,837
Debt securities issued	<i>13</i>	33,058	28,314
Other payables and unearned income	<i>14</i>	9,749	7,682
Current tax liabilities (net)	<i>15</i>	1,266	2,041
Deferred tax liability	<i>15</i>	615	--
<b>Total current liabilities</b>		<b>252,036</b>	<b>172,594</b>
<b>NON-CURRENT LIABILITIES</b>			
Provision for employment termination benefits	<i>16</i>	246	209
<b>Total non-current liabilities</b>		<b>246</b>	<b>209</b>
<b>STOCKHOLDERS' EQUITY</b>			
Share capital	<i>17</i>	23,955	23,955
Legal reserves		4,494	3,426
Translation reserve		(36,751)	(27,440)
Retained earnings		115,967	94,884
<b>Equity attributable to equity holders of the parent</b>		<b>107,665</b>	<b>94,825</b>
Non-controlling interest		231	302
<b>Total equity</b>		<b>107,896</b>	<b>95,127</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>		<b>360,178</b>	<b>267,930</b>

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

**DESTEK FAKTORİNG AŞ AND ITS SUBSIDIARY****CONSOLIDATED INCOME STATEMENT AND OTHER COMPREHENSIVE INCOME STATEMENT**

FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in thousands of US Dollars)

	<i>Notes</i>	<b>2014</b>	<b>2013</b>
<b>OPERATING INCOME</b>			
Factoring interest income and other operational income		41,045	33,682
Commission income		818	988
<b>GROSS PROFIT</b>		<b>41,863</b>	<b>34,670</b>
General administrative expenses (-)	18	(2,994)	(3,563)
Finance expenses (-) (net)	19	(19,770)	(10,688)
Other operating expenses (-) (net)	20	8,637	7,362
<b>PROFIT BEFORE TAXATION</b>		<b>27,736</b>	<b>27,781</b>
Taxation	15	(5,489)	(5,028)
<b>NET PROFIT FOR THE YEAR</b>		<b>22,247</b>	<b>22,753</b>
<b>Items that will not be reclassified to profit or loss</b>			
Actuarial gains from employee benefits		(4)	(5)
<b>OTHER COMPREHENSIVE INCOME</b>		<b>(4)</b>	<b>(5)</b>
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>22,243</b>	<b>22,748</b>
NET PROFIT ATTRIBUTABLE TO:			
Non-controlling interest		96	164
Equity holders of the parent		22,151	22,589
OTHER COMPREHENSIVE INCOME ATTRIBUTABLE TO:			
Non-controlling interest		96	164
Equity holders of the parent		22,147	22,584

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

## DESTEK FAKTORİNG AŞ AND ITS SUBSIDIARY

### CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in thousands of US Dollars)

	Share Capital	Legal Reserves	Translation Reserve	Retained Earnings	Total	Non- controlling Interest	Total Equity
<b>Balances as at 1 January 2013</b>	<b>23,955</b>	<b>2,180</b>	<b>(11,027)</b>	<b>73,541</b>	<b>88,649</b>	<b>187</b>	<b>88,836</b>
Foreign currency translation difference	--	--	(16,413)	--	(16,413)	(49)	(16,462)
<i>Total income and expense for the year recognized directly in equity</i>	--	--	<i>(16,413)</i>	--	<i>(16,413)</i>	<i>(49)</i>	<i>(16,462)</i>
Transfer to legal reserves	--	1,246	--	(1,246)	--	--	--
Net profit for the year	--	--	--	22,589	22,589	164	22,753
<b>Balances as at 31 December 2013</b>	<b>23,955</b>	<b>3,426</b>	<b>(27,440)</b>	<b>94,884</b>	<b>94,825</b>	<b>302</b>	<b>95,127</b>
Foreign currency translation difference	--	--	(9,311)	--	(9,311)	(167)	(9,478)
<i>Total income and expense for the year recognized directly in equity</i>	--	--	<i>(9,311)</i>	--	<i>(9,311)</i>	<i>(167)</i>	<i>(9,478)</i>
Transfer to legal reserves	--	1,068	--	(1,068)	--	--	--
Net profit for the year	--	--	--	22,151	22,151	96	22,247
<b>Balances as at 31 December 2014</b>	<b>23,955</b>	<b>4,494</b>	<b>(36,751)</b>	<b>115,967</b>	<b>107,665</b>	<b>231</b>	<b>107,896</b>

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

**DESTEK FAKTORİNG AŞ AND ITS SUBSIDIARY****CONSOLIDATED STATEMENT OF CASH FLOWS**

FOR THE YEAR ENDED 31 DECEMBER 2014

(Amounts expressed in thousands of US Dollars)

	<i>Notes</i>	<b>2014</b>	<b>2013</b>
<b>OPERATING ACTIVITIES</b>			
Net income for the year		22,247	22,753
Depreciation for property and equipment	9	345	330
Amortization for intangible assets	10	101	115
Change in retirement pay provision	16	57	46
Translation difference		(9,256)	(16,113)
Allowance for doubtful receivables	5	95	542
Factoring receivables	5	(84,401)	18,298
Due from related parties	6	--	--
Other receivables and current assets	7	(9,933)	(2,551)
Other payables and unearned income	14	(3,025)	1,755
Due to related parties	6	(1,219)	(1,049)
Accrued taxation	15	5,489	5,028
Corporate tax paid	15	(2,791)	(2,986)
Retirement benefits paid	16	--	(16)
<b>Net cash used in operating activities</b>		<b>(82,291)</b>	<b>26,152</b>
<b>INVESTING ACTIVITIES</b>			
Purchases of property and equipment	9	(236)	(507)
Purchases of intangible assets	10	(139)	(147)
Sales / (purchases) of assets held for sale		(62)	360
<b>Net cash used in investing activities</b>		<b>(437)</b>	<b>(294)</b>
<b>FINANCING ACTIVITIES</b>			
Change in borrowings	12	73,590	(3,491)
Change in debt securities issued	13	6,487	(17,290)
<b>Net cash provided from financing activities</b>		<b>80,077</b>	<b>(20,781)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(2,651)</b>	<b>5,077</b>
Cash and cash equivalents at the beginning of the year	4	13,028	7,951
<b>Cash and cash equivalents at the end of the year</b>	4	<b>10,377</b>	<b>13,028</b>

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

## **DESTEK FAKTORİNG AŞ AND ITS SUBSIDIARY**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**AS AT 31 DECEMBER 2014**

*(Amounts expressed in thousands of US Dollars)*

#### **1. ORGANIZATION AND OPERATIONS OF THE GROUP**

Destek Finans Faktoring Hizmetleri AŞ was incorporated in Istanbul on 18 July 1996, to provide factoring services to industrial and commercial firms. The company is registered in Turkey.

In accordance with the decision taken in the Board of Directors meeting, held on 20 March 2012, it was decided to change the title of the company as “Destek Faktoring Anonim Şirketi” (“the Company”). Amendment of the Articles of Association concerning change in the title was approved in the Ordinary General Meeting of the year 2011 held on 18 April 2012.

The Company is engaged in recourse type of factoring transactions in which the Company does not assume the risk for the insolvency of the debtors. Accordingly, the Company may claim the repayment of the debts purchased from the customers in the event of debtors default.

Destek Vadeli İşlemler Aracılık AŞ has acquired the “Brokerage License for the Purchase and Sale of Derivative Instruments” from the Capital Markets Board in April 2008. On 12 September 2008 the firm’s membership to the “Turkish Derivatives Exchange” was accepted and the firm initiated its activity on 17 September 2008. Subsequently; on 20 November 2008 the company merged with Destek Finansal Kiralama AŞ. Following the merger, the company no longer has the authorization for financial leasing. The company has acquired Portfolio Management licence from the Capital Markets Board on 2 September 2010. The company’s legal name has changed to Destek Menkul Değerler AŞ (“Destek Menkul”) and this change was issued in the Trade Registry Gazette on 17 June 2010.

Domino Forex Limited (“Domino Forex”), which is subsidiary of Destek Menkul, was registered on 8 April 2013 to engage in capital market transactions according to applicable legislation in Malta and was enrolled to Malta Financial Services Authority-“MFSA”- on 17 May 2013. According to share transfer agreement signed on 13 June 2014, Domino Forex, the subsidiary of Destek Menkul with a shareholding interest of 99.9999%, has been sold to GEO B.V. in the Netherlands.

As at 31 December 2014, Destek Menkul is the subsidiary of the Company and its financial statements are consolidated in the accompanying financial statements. The Company and Destek Menkul are collectively referred to as “the Group”.

#### **2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

##### **a. Statement of Compliance**

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (US GAAP).

##### **b. Basis of Presentation of Financial Statements**

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira (“TL”), the currency of the country the Company is incorporated in and in which it operates, in accordance with the Turkish Accounting Standards as promulgated by the Banking Regulation and Supervision Agency (“BRSA”) and also the Turkish Commercial Code (collectively, “Turkish GAAP”).

Destek Menkul maintains its books of account and prepares its statutory financial statements in Turkish Lira (“TL”) in accordance with the Turkish Accounting Standards as promulgated by the Capital Market Board (“CMB”) and also the Turkish Commercial Code.

Domino Forex, which has been sold in 2014, maintains its books of accounts and prepares its statutory financial statements in Euro in accordance with the legislations in Malta.



## DESTEK FAKTORİNG AŞ AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

(Amounts expressed in thousands of US Dollars)

#### 2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (continued)

##### b. Basis of Presentation of Financial Statements (continued)

The accompanying consolidated financial statements are based on these statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with accounting principles generally accepted in the United States of America.

The consolidated financial statements are presented in US Dollar.

##### c. Consolidation

###### (i) Subsidiaries

Subsidiaries are entities controlled by Destek Faktoring AŞ. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

The subsidiaries included in consolidation and the Company's shareholding percentages at 31 December are as follows:

	<u>2014</u>	<u>2013</u>
Destek Menkul	98.24%	98.24%
Domino Forex (*)	-	98.24%

(\*) Consolidated until 13 June 2014.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

###### (ii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

##### d. Principles of translation of financial statements into US Dollar

Statement of Financial Accounting Standards ("SFAS") 52, "Foreign Currency Translation" requires that the financial statements of an entity are measured in its functional currency. An entity's functional currency is the currency of the primary economic environment in which that entity operates; normally, that is the currency of the environment in which an entity primarily generates and expends cash. The Turkish Lira is the primary economic environment in which the Company operates. Remeasurement of local currency denominated financial statements into US Dollar has been performed in accordance with the provisions of SFAS 52. The objective of this remeasurement process is to provide information that is generally compatible with the expected economic effects of a rate change on an enterprise's cash flows and equity and to reflect in the consolidated statements the financial results and relationships of the individual consolidated entities as measured in their functional currencies in conformity with U.S. generally accepted accounting principles.

## **DESTEK FAKTORİNG AŞ AND ITS SUBSIDIARY**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**AS AT 31 DECEMBER 2014**

*(Amounts expressed in thousands of US Dollars)*

#### **2. BASIS OF PREPARATION OF FINANCIAL STATEMENTS** *(continued)*

##### **d. Principles of translation of financial statements into US Dollar** *(continued)*

SFAS 52 defines a hyperinflationary economy as one that has cumulative inflation of approximately 100% or more over a three-year period. On 22 November 2005, American Institute of Certified Public Accountants (AICPA) International Practices Task Force in its highlights memorandum declared that Turkey will come off its highly inflationary status as of the first period beginning after 15 December 2005. Based on these considerations SFAS 52 has not been applied to the accompanying financial statements as at 31 December 2006 and further.

The assets and liabilities are translated to US Dollar at exchange rates at the reporting date. The income and expenses are translated to US Dollar at yearly average exchange rate for 2014. Foreign currency differences are recognised in other comprehensive income, and presented in the translation reserve in equity. As at the balance sheet date, the year end rate used for presentation purposes for balance sheet items is 1 US Dollar = TL 2.3189 (31 December 2013: 1 US Dollar = TL 2.1343). For income statement, the average rate used for 2014 is 1 US Dollar = TL 2.1863 (31 December 2013: 1 US Dollar = TL 1.9025).

#### **3. SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies used in the preparation of the accompanying financial statements are as follows:

##### **a. Related Parties**

For the purpose of the accompanying consolidated financial statements, shareholders of the Group, the other companies owned by them, their directors and key management personnel and other companies in the group to which they are known to be related, are considered and referred to as related parties.

##### **b. Income and Expense Recognition**

Interest and other income and expenses are recognized on an accrual basis, except for fees and commissions for factoring services rendered which are recognized as income when received. Income and expenses are recognized at fair value or amortized cost basis. For the purposes of convenience, certain income and expenses are recognized on a straight-line basis where that does not materially differ from fair value or the amortized cost method.

##### **c. Financial Instruments**

The term financial instruments include both financial assets and financial liabilities. Financial assets and financial liabilities are recognized on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instruments. Financial instruments are fundamental to the Group's business and constitute the core element of its operations. The risks associated with financial instruments are significant component of the risks faced by the Group. Financial instruments create, modify or reduce the liquidity, credit and market risks of the Group's statement of financial position.

## DESTEK FAKTORİNG AŞ AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

(Amounts expressed in thousands of US Dollars)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### c. Financial Instruments (continued)

###### *Cash and Cash Equivalents*

Cash and all highly liquid investments with a maturity of three months or less at the date of purchase, including cash on hand, demand deposits and short-term time deposits are classified in cash and cash equivalents.

###### *Receivables*

Receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows at initial recognition.

###### *Trading Assets and Liabilities*

Trading assets and liabilities are those assets and liabilities that the Group acquires or incurs principally for the purpose of selling or repurchasing in the near term, or holds as part of a portfolio that is managed together for short-term profit or position taking. These include investments and derivative contracts that are not designated as effective hedging instruments. These derivative transactions are considered as economic hedges under the Company's risk management policies; however since they do not qualify for hedge accounting, they are treated as derivatives held for trading. Derivative financial instruments are initially recognized in the statement of financial position at cost and subsequently are measured at their fair value.

Trading assets and liabilities are initially recognized and subsequently measured at fair value in the statement of financial position, with transaction costs recognized in profit or loss. All changes in fair value are recognized as part of net trading income in profit or loss. The Group did not reclassify any trading assets and liabilities subsequent to their initial recognition.

###### *Financial Liabilities and Equity*

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

###### *Borrowings and Debt Securities Issued*

Borrowings and debt securities issued are initially measured at fair value, and are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

###### *Off Balance Sheet Commitments and Contingencies*

The Group deals with off-balance sheet risks in the normal course of business such as letters of guarantee. The Group's exposure to credit losses arising from these instruments is represented by the contractual amount of those instruments.

## DESTEK FAKTORİNG AŞ AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

(Amounts expressed in thousands of US Dollars)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### c. Financial Instruments (continued)

###### *Fair Value Considerations*

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arm's length transaction. Fair value is best evidenced by a market price, being the amount obtainable from the sale or payable on the acquisition, of a financial instrument in an active market, if one exists.

Various financial instruments are accounted at amortized cost but disclosure is required of fair value for comparison purposes, wherever practicable.

For the financial assets and liabilities carried at amortized cost, the fair values are assumed not to differ significantly from cost as the profit shares applicable to those receivables are in line with the market rates due to the short-term nature of the items involved.

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value.

Balances with banks: the carrying amount is a reasonable estimate of fair value.

Factoring receivables and other receivables: The major portion of the due from financial activities is short-term and has pre-determined interest rates that are not subject to fluctuation at short notice in accordance with the prevailing interest rates in the market. Therefore, the management believes that the fair values of due from financing activities do not materially differ from their respective book values.

The estimated fair value of funds borrowed and debt securities issued represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

##### d. Factoring Receivables and Payables

Factoring receivables are recognized at original factored receivable amount, which represents the fair value of consideration given, and subsequently remeasured at amortized cost less reserve for factoring receivable losses. Factoring payables are recognized at original factored amount less advances extended against factoring receivables, interest and factoring commissions charged, and then carried at amortized cost.

The allowance for doubtful receivables is based on management's evaluation of the receivables, including such factors as the volume type of receivable outstanding, collateral obtained, past experience and economic conditions. Bad debt is written off during the year in which they are identified.

The factoring receivables of the Group are of a "with recourse" nature on which the Group does not assume the risk for the insolvency of the debtors. Accordingly, the Group may claim the repayment of the debts purchased from the customers in the event that the debtors default.

## **DESTEK FAKTORİNG AŞ AND ITS SUBSIDIARY**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

**AS AT 31 DECEMBER 2014**

*(Amounts expressed in thousands of US Dollars)*

#### **3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

e. **Property and Equipment**

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

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under constructions, over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes is estimate accounted for on a prospective basis.

The gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

f. **Intangible Assets**

Intangible assets are amortized on a straight-line basis over estimated useful lives.

g. **Valuation of Long-Lived Assets**

Assets that have an indefinite useful life are tested annually for impairment in accordance with SFAS No. 144 (Accounting for the Impairment or Disposal of Long-Lived Assets). An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

h. **Leasing**

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

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of return on the remaining balance of the liability. Finance charges are directly charged to profit or loss, unless they are directly attributable to qualifying assets.

i. **Borrowing Costs**

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

j. **Provisions**

Provisions are recognized when the Company has a present legal or constructive obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation, and a reliable estimate can be made of the amount of obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

## DESTEK FAKTORİNG AŞ AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

(Amounts expressed in thousands of US Dollars)

#### 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

##### k. Taxation and deferred income taxes

Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements are calculated on a separate-entity basis.

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

##### *Current Tax*

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

##### *Deferred Tax*

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which is used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized.

Such assets and liabilities are not recognized if the temporary difference arises from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

##### l. Employment Termination Benefits

Under Turkish Law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. The total provision represents the vested benefit obligation as at the balance sheet date.

The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation as adjusted for unrecognized actuarial gains and losses.

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#### **3. SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**m. Offsetting**

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

**n. Assets held for sale**

Assets that are classified as held for sale are carried at the lower of carrying amount and fair value less costs to sell. A non-current asset is not depreciated (or amortised) while it is classified as held for sale.

**o. Use of Estimates**

The consolidated financial statements of the Group are prepared in conformity with accounting principles generally accepted in the United States, which require the use of estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. Management believes that the accounting estimates employed are appropriate and the resulting balances are reasonable; however, due to the inherent uncertainties in making estimates actual results could differ from the original estimates, requiring adjustments to these balances in future periods.

**p. Dividends**

Dividends receivable are recognized as income in the period when they are declared and dividends payable are recognized as an appropriation of profit in the period in which they are declared.

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**4. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents as at 31 December 2014 and 31 December 2013 are as follows:

	<b>2014</b>	<b>2013</b>
Cash	1	1
Demand deposits	1,933	8,035
Time deposits	8,453	4,205
<b>Cash and cash equivalents on the statement of financial position</b>	<b>10,387</b>	<b>12,241</b>
Receivables from money market operations	--	795
Accruals	(10)	(8)
<b>Cash and cash equivalents on the statement of cash flows</b>	<b>10,377</b>	<b>13,028</b>

As at 31 December 2014 and 2013, the details of time deposits at banks are as follows:

<b>Currency</b>	<b>Interest Rate (%)</b>	<b>Maturity</b>	<b>2014</b>
USD	2.55% - 3.00%	13 January- 26 February 2015	8,453
<b>Total</b>			<b>8,453</b>

<b>Currency</b>	<b>Interest Rate (%)</b>	<b>Maturity</b>	<b>2013</b>
USD	3.25% - 3.30%	6-15 January 2014	4,205
<b>Total</b>			<b>4,205</b>



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*(Amounts expressed in thousands of US Dollars)***5. FACTORING RECEIVABLES (NET)**

Factoring receivables (net) as at 31 December 2014 and 31 December 2013 are as follows:

	<b>2014</b>	<b>2013</b>
Factoring receivables	325,437	241,038
Doubtful receivables	1,092	5,624
Allowance for doubtful receivables	(784)	(5,221)
<b>Total</b>	<b>325,745</b>	<b>241,441</b>

The allowance for doubtful receivables is based on management's evaluation of the receivables, including such factors as the volume type of receivable outstanding, collateral obtained, past experience and economic conditions. Bad debt is written off during the year in which they are identified.

The collaterals received in relation to factoring receivables are as follows:

	<b>2014</b>	<b>2013</b>
Sureties	3,836,849	99,646
Cheques	664,201	444,048
Pledges of assets	418	468
Mortgages	302	328
Other	10,053	2,572
<b>Total</b>	<b>4,511,823</b>	<b>547,062</b>

In evaluating the collectability of factoring receivables, the Group considers any possible changes in the credit quality of factoring receivables from the initial date until the balance sheet date. There is no credit risk consideration as the Group has a diversified customer portfolio. The Group believes that there is no additional doubtful receivable provision required for factoring receivables other than those already included in the accompanying consolidated financial statements.

Movement in the allowance for doubtful receivables:

	<b>2014</b>	<b>2013</b>
Provisions at the beginning of year	5,221	6,104
Translation gain/loss	(411)	(1,021)
Charge for the year	288	332
Collection	(377)	(194)
Transfer of claim <sup>(*)</sup>	(3,937)	--
<b>Provision at the end of the year</b>	<b>784</b>	<b>5,221</b>

(\*) The Company has transferred factoring receivable amount to USD 3,937 to Final Varlık Yönetimi A.Ş. According to the agreement, 35% of the collection amount will be transferred to the Company and 65% of the collection will be transferred to Final Varlık Yönetimi A.Ş. until the expiration date of the agreement.

The aging of doubtful receivables as at 31 December 2014 and 31 December 2013 are as follows:

	<b>2014</b>	<b>2013</b>
Up to 90 days	--	--
91-180 days	80	--
181-360 days	56	330
Over 361 days	956	5,294
<b>Total</b>	<b>1,092</b>	<b>5,624</b>

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#### 6. RELATED PARTY TRANSACTIONS AND BALANCES

Related party transactions and balances as at 31 December 2014 and 31 December 2013 are as follows:

	2014	2013
<u>Due to related parties</u>		
Altunç Kumova	870	2,090
<u>Other expenses</u>		
Short term benefits for top management	256	262

The Group has a receivable related to Domino Forex sale disclosed in note 7.

Net loss related to derivative exchange market transactions with Domino Forex is amounting to USD 5,968 (31 December 2013: None).

#### 7. OTHER RECEIVABLES AND OTHER CURRENT ASSETS

Other receivables and other current assets as at 31 December 2014 and 31 December 2013 are as follows:

	2014	2013
Receivables from Forex transactions	9,931	9,103
Deposits given	6,823	183
Advances given	460	542
Prepaid expenses	192	178
Receivables from money market operations	--	794
Other receivables	4,322	328
<b>Total</b>	<b>21,728</b>	<b>11,128</b>

According to share transfer agreement signed on 13 June 2014, Domino Forex, the subsidiary of Destek Menkul with a shareholding interest 99.9999%, has been sold to GEO B.V. in the Netherlands. Receivables from this transaction classified to other receivables amount to USD 3,881.

#### 8. AVAILABLE FOR SALE INVESTMENTS

The Group's shares in available for sale investments as at 31 December 2014 and 31 December 2013 are as follows:

Company	Share %	2014	Share %	2013
Borsa Istanbul	1<	68	1<	--
Istanbul Gold Refinery	1<	1	1<	1
<b>Total</b>		<b>69</b>		<b>1</b>

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**9. PROPERTY AND EQUIPMENT (Net)**

	Buildings	Vehicles	Furniture and fixtures	Leasehold Improvements	Other fixed assets	Total
<b>Cost</b>						
<b>Balances as at 1 January 2013</b>	<b>2,859</b>	<b>351</b>	<b>575</b>	<b>109</b>	<b>273</b>	<b>4,167</b>
Translation difference	(471)	(58)	(96)	(18)	(45)	(688)
Purchases	--	315	172	--	20	507
Disposals	--	(139)	(1)	--	--	(140)
<b>Balances as at 31 December 2013</b>	<b>2,388</b>	<b>469</b>	<b>650</b>	<b>91</b>	<b>248</b>	<b>3,846</b>
Translation difference	(190)	(38)	(52)	(7)	(20)	(307)
Purchases	--	99	126	--	11	236
Disposals	--	(33)	(21)	--	--	(54)
<b>Balances as at 31 December 2014</b>	<b>2,198</b>	<b>497</b>	<b>703</b>	<b>84</b>	<b>239</b>	<b>3,721</b>
<b>Accumulated depreciation</b>						
<b>Balances as at 1 January 2013</b>	<b>776</b>	<b>344</b>	<b>401</b>	<b>109</b>	<b>254</b>	<b>1,884</b>
Translation difference	(145)	(65)	(75)	(18)	(43)	(346)
Current depreciation	156	80	84	--	10	330
Disposals	--	(139)	(1)	--	--	(140)
<b>Balances as at 31 December 2013</b>	<b>787</b>	<b>220</b>	<b>409</b>	<b>91</b>	<b>221</b>	<b>1,728</b>
Translation difference	(70)	(23)	(38)	(7)	(18)	(156)
Current depreciation	125	116	99	--	5	345
Disposals	--	(34)	--	--	--	(34)
<b>Balances as at 31 December 2014</b>	<b>842</b>	<b>279</b>	<b>470</b>	<b>84</b>	<b>208</b>	<b>1,883</b>
<b>Net carrying value as at 31 December 2013</b>	<b>1,601</b>	<b>249</b>	<b>241</b>	<b>--</b>	<b>27</b>	<b>2,118</b>
<b>Net carrying value as at 31 December 2014</b>	<b>1,356</b>	<b>218</b>	<b>233</b>	<b>--</b>	<b>31</b>	<b>1,838</b>

The Group has pledged the office in the Yapı Kredi Plaza amounting to USD 4,312.

As of 31 December 2014, total insurance coverage on property and equipment is amounting to USD 647.

The depreciation rates for property and equipment, which approximate the useful lives of such assets, are as follows:

	Useful lives
Buildings	25
Vehicles	5
Furniture and fixtures	5
Leasehold improvements	5

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*(Amounts expressed in thousands of US Dollars)***10. INTANGIBLE ASSETS (Net)**

	<b>Rights</b>	<b>Software</b>	<b>Total</b>
<b><u>Cost</u></b>			
<b>Balances as at 1 January 2013</b>	<b>506</b>	<b>444</b>	<b>950</b>
Translation difference	(83)	(73)	(156)
Purchases	15	132	147
<b>Balances as at 31 December 2013</b>	<b>438</b>	<b>503</b>	<b>941</b>
Translation difference	(35)	(101)	(136)
Purchases	54	85	139
<b>Balances as at 31 December 2014</b>	<b>457</b>	<b>487</b>	<b>944</b>
<b><u>Accumulated amortization</u></b>			
<b>Balances as at 1 January 2013</b>	<b>193</b>	<b>363</b>	<b>556</b>
Translation difference	(36)	(68)	(104)
Current amortization	37	78	115
<b>Balances as at 31 December 2013</b>	<b>194</b>	<b>373</b>	<b>567</b>
Translation difference	(18)	(32)	(50)
Current amortization	45	56	101
Disposals	--	(9)	(9)
<b>Balances as at 31 December 2014</b>	<b>221</b>	<b>388</b>	<b>609</b>
<b>Net carrying value as at 31 December 2013</b>	<b>244</b>	<b>130</b>	<b>374</b>
<b>Net carrying value as at 31 December 2014</b>	<b>236</b>	<b>99</b>	<b>335</b>

**11. TRADING LIABILITIES**

As at 31 December 2014, the Group has trading liabilities amounting to TL 10 (31 December 2013: TL 1,720), related to the swap and forward transactions.

**12. BORROWINGS**

Borrowings as at 31 December 2014 and 31 December 2013 are as follows:

	<b>2014</b>	<b>2013</b>
Borrowings	205,101	131,511
Interest accrual	2,237	1,326
<b>Total</b>	<b>207,338</b>	<b>132,837</b>

Analysis of loan repayments is as follows:

	<b>2014</b>	<b>2013</b>
Due in 1 year	207,338	132,837
<b>Total</b>	<b>207,338</b>	<b>132,837</b>

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*(Amounts expressed in thousands of US Dollars)***12. BORROWINGS (continued)**

Currency distribution of borrowings as at 31 December 2014 and 31 December 2013 are as follows:

<b>Currency</b>	<b>Interest Rate (%)</b>	<b>2014 Original Currency</b>	<b>2014 USD</b>
TL	2.75%-12.25%	469,155	202,318
USD	3.50%	5,020	5,020
<b>Total</b>			<b>207,338</b>

<b>Currency</b>	<b>Interest Rate (%)</b>	<b>2013 Original Currency</b>	<b>2013 USD</b>
TL	7.25%-11.94%	272,779	127,807
USD	4.38%	5,030	5,030
<b>Total</b>			<b>132,837</b>

**13. DEBT SECURITIES ISSUED**

On 12 March 2014, the Company has issued floating rate debt securities amounting to TL 47,000,000 with 1.5 years maturity and three-month period interest payment, and on 18 September 2014, discounted bond amounting to TL 30,000,000 with 179 days maturity and fixed interest rate. As at 31 December 2014, debt securities and bonds are as follows:

<b>2014</b>						
	<b>Currency</b>	<b>Maturity</b>	<b>Interest Type</b>	<b>Interest rate (*)</b>	<b>Nominal Value (USD)</b>	<b>Carrying Value (USD)</b>
Debt Securities	TL	2015	Floating (**)	2.77%	20,268	20,404
						<b>20,404</b>
	<b>Currency</b>	<b>Maturity</b>	<b>Interest type</b>	<b>Interest rate (***)</b>	<b>Nominal Value (USD)</b>	<b>Carrying Value (USD)</b>
Bond	TL	2015	Fixed	7.669%	12,937	12,654
						<b>12,654</b>

(\*) Represents the third coupon payment term.

(\*\*) The "Benchmark Interest" that will constitute the base of the interest rate of the security will be the day coupon interest is declared and the last 2 business days weighted arithmetic mean of the weighted trade price of the zero coupon government bond with the same maturity at Istanbul Stock Exchange Bills Market Outright Purchases and Sales Market issued by the Treasury. The same procedure will be repeated to present the "Benchmark Interest" on each coupon payment date and the valid Coupon Interest Rate will constitute the base of the next coupon payment. The Coupon Interest Rate will be calculated by adding 4.25% additional rate of return per annum to the "Benchmark Interest Rate".

(\*\*\*) Represents interest rate for 179 days.

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**13. DEBT SECURITIES ISSUED (continued)**

<b>2013</b>						
	<b>Currency</b>	<b>Maturity</b>	<b>Interest Type</b>	<b>Interest rate (*)</b>	<b>Nominal Value (USD)</b>	<b>Carrying Value (USD)</b>
Debt Securities	TL	2014	Floating (**)	3.26%	28,112	28,314
						<b>28,314</b>

(\*) Represents the quarter interest rate applicable for the first coupon payment term.

(\*\*) The second coupon payment interest rate for the next three-month is 2.464%. The "Benchmark Interest" that will constitute the base of the interest rate of the Security will be the day coupon interest is declared and the last 2 business days weighted arithmetic mean of the weighted trade price of the zero coupon government bond with the same maturity at Istanbul Stock Exchange Bills Market Outright Purchases and Sales Market issued by the Treasury. The same procedure will be repeated to present the "Benchmark Interest" on each coupon payment date and the valid Coupon Interest Rate will constitute the base of the next coupon payment. The Coupon Interest Rate will be calculated by adding 4.25% additional rate of return per annum to the "Benchmark Interest Rate".

**14. OTHER PAYABLES AND UNEARNED INCOME**

Other payables and unearned income as at 31 December 2014 and 31 December 2013 are as follows:

	<b>2014</b>	<b>2013</b>
Payables for Forex transactions	7,777	4,601
Payables to shareholders	870	2,090
Other payables	476	571
Unearned income	248	193
Taxes and dues payable	378	227
<b>Total</b>	<b>9,749</b>	<b>7,682</b>

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#### 15. TAXATION ON INCOME

	2014	2013
<u>Current tax liability</u>		
Current corporate tax provision	4,057	5,027
Less: Prepaid taxes and funds	(2,791)	(2,986)
<b>Total</b>	<b>1,266</b>	<b>2,041</b>
<u>Income tax expense</u>		
Current corporate tax	4,305	5,640
Deferred tax (benefit) / charge	1,184	(612)
<b>Total</b>	<b>5,489</b>	<b>5,028</b>

##### *Corporate tax*

The Group is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Group's results for the years and periods. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis. Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective rate of tax in 2014 is 20% (31 December 2013: 20%).

In Turkey advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2014 is 20% (31 December 2013: 20%). Losses can be carried forward for offset against future taxable income for up to 5 years. However, losses cannot be carried back for offset against profits from previous periods.

Furthermore, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1-25 April following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessment within five years.

Losses are allowed to be carried 5 years maximum to be deducted from the taxable profit of the following years. Tax carry back is not allowed.

In accordance with the article 13/b of Law on Amendment to Social Insurances and General Health Insurance Law and Certain Laws numbered 6486 ("Cash Repatriation") published on the Official Gazette numbered 28661 and dated 29 May 2013, the earnings from the non-resident subsidiaries of the corporations with full liability are exempted from corporate tax, including the earnings recognised until 31 October 2013, if the earnings are transferred to Turkey not later than 31 December 2013. In accordance with Cash Repatriation, dividend income from Domino Forex is considered as tax exempt income in the corporate tax calculation for the year ended 31 December 2013.

The corporate earnings are subject to 35% income tax in Malta where Domino Forex operates. This rate is determined by modifying accounting income for certain exclusions and allowances for tax purposes. The earnings of the foreign corporations' branches in Malta are also subject to the same tax rate that the resident corporations in Malta are subject to. The earnings of such branches that are transferred to their head offices are not subject to any additional tax. When a corporation registers in Malta distributes its net profit as dividend to its non-resident shareholder, 6/7 of the corporate tax paid by the corporation in Malta is refunded to its non-resident shareholder.

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*(Amounts expressed in thousands of US Dollars)***15. TAXATION ON INCOME** *(continued)**Corporate tax (continued)*

The prepaid taxes are paid in April, August and December in the related years. The prepayments can be deducted from the annual corporate tax calculated for the whole year earnings. The excess part of the corporate tax that is not covered by such prepayments is paid to the tax office in September. Since 90% of the business interest of Domino Forex is outside Malta, Domino Forex is not subject to stamp duty tax and does not pay prepaid taxes.

*Deferred tax*

The Group recognizes deferred tax assets and liabilities based upon temporary differences arising from the differences between its financial statements as reported for US GAAP purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for US GAAP and tax purposes and are calculated over accounts like retirement pay provision and provision for doubtful receivables. Deferred taxation is calculated at a rate of 20% (31 December 2013: 20%).

In Turkey, the companies cannot declare a consolidated tax return; therefore subsidiaries that have deferred tax assets position were not netted off against subsidiaries that have deferred tax liabilities position and disclosed separately.

	<b>2014</b>	<b>2013</b>
<u>Temporary differences subject to deferred tax:</u>		
Deferred income	(800)	--
Retirement pay provision	(246)	(209)
Unused vacation provision	(56)	(49)
Derivative financial instruments	(10)	(1,928)
Difference of tax practice on foreign subsidiary	--	(784)
Useful life differences on fixed assets	200	174
Revaluation fund under equity	410	446
Tax practice on foreign subsidiary and its sale	3,881	--
Other	--	14
<b>Total</b>	<b>3,379</b>	<b>(2,336)</b>

	<b>2014</b>	<b>2013</b>
<u>Components of deferred tax (assets)/liabilities</u>		
Deferred income	(160)	--
Retirement pay provision	(49)	(42)
Unused vacation provision	(11)	(10)
Derivative financial instruments	(2)	(344)
Difference of tax practice on foreign subsidiaries	--	(208)
Useful life differences on fixed assets	40	35
Revaluation fund under equity	21	23
Tax practice on foreign subsidiary and its sale	776	--
Other	--	1
<b>Total</b>	<b>615</b>	<b>(545)</b>



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**15. TAXATION ON INCOME** *(continued)*

*Deferred tax (continued)*

As at 31 December 2014 and 31 December 2013, deferred tax assets and liabilities are presented on financial statements as follows:

	<b>2014</b>	<b>2013</b>
Deferred tax assets	--	545
Deferred tax liabilities	(615)	--
<b>Net deferred tax assets / (liabilities)</b>	<b>(615)</b>	<b>545</b>

Movement of deferred tax (assets)/ liabilities as at 31 December 2014 and 31 December 2013 are as follows:

	<b>2014</b>	<b>2013</b>
Opening balance as at 1 January	(545)	2
Taxation charge/(benefit) on deferred tax	1,184	(612)
Translation gain /(loss)	(24)	65
<b>Closing balance as at 31 December</b>	<b>615</b>	<b>(545)</b>

**16. PROVISION FOR EMPLOYMENT TERMINATION BENEFITS**

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of employees. US GAAP requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability.

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2014, the provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 6.30% and a discount rate of 10.21%, resulting a real discount rate of approximately 2.84% (The provisions at 31 December 2013 have been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 7.40% and a discount rate of 11.1%, resulting a real discount rate of approximately 3.45%)

	<b>2014</b>	<b>2013</b>
Provision at 1 January	209	218
Translation gain/loss	(20)	(39)
Provision for the year	53	41
Actuarial differences	4	5
Retirement pay provision paid	--	(16)
<b>Provision at 31 December</b>	<b>246</b>	<b>209</b>

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*(Amounts expressed in thousands of US Dollars)***17. CAPITAL AND LEGAL RESERVES**

As at 31 December 2014 and 31 December 2013 the share capital is held as follows:

<b>Shareholders</b>	<b>%</b>	<b>2014</b>	<b>%</b>	<b>2013</b>
Altunç Kumova	99.99	23,954	99.99	23,954
Other	0.01	1	0.01	1
<b>Total</b>	<b>100</b>	<b>23,955</b>	<b>100</b>	<b>23,955</b>

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

The translation reserve comprises all foreign currency differences arising from the translation of financial statements.

**18. GENERAL ADMINISTRATIVE EXPENSES**

	<b>2014</b>	<b>2013</b>
Personnel expenses	(1,519)	(1,656)
Amortization and depreciation expenses	(446)	(445)
Travelling expenses	(198)	(191)
Taxes and funds	(162)	(621)
Consulting expenses	(137)	(168)
Office expenses	(130)	(152)
Transportation and communication expenses	(105)	(163)
Advertisement expenses	(68)	(11)
Rent expenses	(45)	(11)
Insurance expenses	(42)	(44)
Other expenses	(142)	(101)
<b>Total</b>	<b>(2,994)</b>	<b>(3,563)</b>

**19. FINANCE EXPENSES (NET)**

	<b>2014</b>	<b>2013</b>
Borrowing costs (-)	(19,102)	(13,526)
Foreign exchange (loss)/gain (net)	(964)	2,621
Interest income	296	217
<b>Total</b>	<b>(19,770)</b>	<b>(10,688)</b>

**20. OTHER OPERATING INCOME/EXPENSES (NET)**

	<b>2014</b>	<b>2013</b>
Revenue from intermediary transactions	13,481	17,187
Gain/(loss) on derivative transactions	3,213	(1,315)
Other income/(expenses) (net)	750	(346)
Expense related to intermediary transactions	(8,519)	(7,832)
Provision expenses	(288)	(332)
<b>Total</b>	<b>8,637</b>	<b>7,362</b>

**DESTEK FAKTORİNG AŞ AND ITS SUBSIDIARY****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

AS AT 31 DECEMBER 2014

*(Amounts expressed in thousands of US Dollars)***21. COMMITMENT AND CONTINGENCIES**

Commitments and contingent liabilities arising in the ordinary course of business comprised the following items at 31 December:

**21.1 Collaterals received**

	<b>2014</b>	<b>2013</b>
Sureties	3,836,849	99,646
Cheques	664,201	444,048
Pledges of assets	418	468
Mortgages	302	328
Other	10,053	2,572
<b>Total</b>	<b>4,511,823</b>	<b>547,062</b>

As of 31 December 2014, the Group's collaterals excluding customers in factoring receivables recognized under off the balance sheet items amount to USD 2,539,056 (31 December 2013: USD 350,177).

**21.2 Collaterals given**

	<b>2014</b>	<b>2013</b>
Mortgage given	4,312	4,685
Collaterals provided to courts	71	104
<b>Total</b>	<b>4,383</b>	<b>4,789</b>

**21.3 Derivative transactions**

	<b>2014</b>	<b>2013</b>
Swap transactions	776	37,148
Forwards	561	1,761
<b>Total</b>	<b>1,337</b>	<b>38,909</b>

**21.4 Customer securities held**

	<b>2014</b>	<b>2013</b>
Customer cheques	254,442	218,082
Customer securities	39,340	13,514
<b>Total</b>	<b>293,782</b>	<b>231,596</b>

## DESTEK FAKTORİNG AŞ AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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(Amounts expressed in thousands of US Dollars)

## 22. RISK MANAGEMENT

### Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 3 to the financial statements.

	2014	2013
<u>Financial assets</u>		
Cash and cash equivalents	10,387	12,241
Factoring receivables	325,745	241,441
Other receivables	21,728	11,128
Available for sale investments	69	1
<u>Financial liabilities</u>		
Trading liabilities	10	1,720
Borrowings	207,338	132,837
Debt securities issued	33,058	28,314
Other payables and unearned income	9,749	7,682

### Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

#### Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

Market risk exposures are supplemented by sensitivity analysis, and stress scenario analysis.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures the risks.

#### Foreign currency risk management

The Group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilizing forward foreign exchange contracts.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is disclosed in Note 23.

## DESTEK FAKTORİNG AŞ AND ITS SUBSIDIARY

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

AS AT 31 DECEMBER 2014

(Amounts expressed in thousands of US Dollars)

#### 22. RISK MANAGEMENT (continued)

##### Foreign currency sensitivity

The Group's sensitivity to a 15% increase and decrease in the US Dollar against the relevant foreign currencies is USD 6,407. 15% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 15% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number indicates a decrease in profit or loss and other equity where the US Dollar strengthens against the relevant currency.

##### Interest rate risk management

The Group is exposed to interest rate risk as entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowings, by the use of interest rate swap contracts and forward interest rate contracts.

##### Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The effect of a 100 basis increase in interest rates on fixed and variable financial liabilities is USD 219 increase (31 December 2013: USD 135) and a 100 basis increase in interest rates on fixed and variable financial assets is USD 302 increase (31 December 2013: USD 77) in income statement.

##### Credit risk

The Group's credit risk is primarily attributable to its factoring receivables. Factoring receivables presented in the balance sheet are net-off allowances for doubtful receivables, estimated by the Group's management based on prior experience and the current environment.

**DESTEK FAKTORİNG AŞ AND ITS SUBSIDIARY****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

AS AT 31 DECEMBER 2014

*(Amounts expressed in thousands of US Dollars)***22. RISK MANAGEMENT** *(continued)**Credit risk (continued)*

The concentration of the Group's domestic factoring and export factoring receivables to industry is as follows:

	<b>2014</b>	<b>2013</b>
Construction	23.77	16.80
Textile	20.11	26.85
Real Estate	12.67	6.94
Other Social Service	8.46	2.48
Food	3.82	2.45
Retail	3.68	0.22
Rubber and Plastic	3.56	1.25
Transportation	3.40	1.93
Other Manufacturing Industry	3.30	6.12
Paper and paper products	3.28	3.52
Mining industry excluding metal	3.20	2.76
Finance	2.63	9.16
Wood products	0.24	0.95
Other	7.88	18.57
<b>Total</b>	<b>100.00</b>	<b>100.00</b>

**23. FOREIGN CURRENCY POSITION**

<b>31 December 2014</b>	<b>TL</b>	<b>USD</b>	<b>EUR</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	33	10,354	--	10,387
Factoring receivables	302,327	11,981	11,437	325,745
Available for sale investments	69	--	--	69
Property and equipment (net)	1,838	--	--	1,838
Intangible assets (net)	335	--	--	335
Assets held for sale	76	--	--	76
Other receivables and current assets	4,045	13,801	3,882	21,728
<b>Total</b>	<b>308.725</b>	<b>36,136</b>	<b>15,318</b>	<b>360,178</b>
<b>LIABILITIES</b>				
Borrowings	(202,318)	(5,020)	--	(207,338)
Debt securities issued	(33,058)	--	--	(33,058)
Current tax liabilities (net)	(1,266)	--	--	(1,266)
Deferred tax liability	(615)	--	--	(615)
Other payables and unearned income	(1,984)	(7,765)	--	(9,749)
Provision for employment termination benefits	(256)	--	--	(256)
Total equity	(107,896)	--	--	(107,896)
<b>Total</b>	<b>(347,393)</b>	<b>(12,785)</b>	<b>--</b>	<b>(360,178)</b>
<b>Net foreign currency position</b>	<b>(38,670)</b>	<b>23,351</b>	<b>15,318</b>	<b>--</b>

**DESTEK FAKTORİNG AŞ AND ITS SUBSIDIARY****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

AS AT 31 DECEMBER 2014

*(Amounts expressed in thousands of US Dollars)***23. FOREIGN CURRENCY POSITION (continued)**

<b>31 December 2013</b>	<b>TL</b>	<b>USD</b>	<b>EUR</b>	<b>Total</b>
<b>ASSETS</b>				
Cash and cash equivalents	25	12,216	--	12,241
Factoring receivables	222,488	6,759	12,194	241,441
Available for sale investments	1	--	--	1
Property and equipment (net)	2,118	--	--	2,118
Intangible assets (net)	374	--	--	374
Assets held for sale	82	--	--	82
Other receivables and current assets	3,579	8,094	--	11,673
<b>Total</b>	<b>228,667</b>	<b>27,069</b>	<b>12,194</b>	<b>267,930</b>
<b>LIABILITIES</b>				
Borrowings	(127,807)	(5,030)	--	(132,837)
Debt securities issued	(28,314)	--	--	(28,314)
Current tax liabilities (net)	(2,041)	--	--	(2,041)
Deferred tax liability	--	--	--	--
Other payables and unearned income	(4,822)	(4,580)	--	(9,402)
Provision for employment termination benefits	(209)	--	--	(209)
Total equity	(95,127)	--	--	(95,127)
<b>Total</b>	<b>(258,320)</b>	<b>(9,610)</b>	<b>--</b>	<b>(267,930)</b>
<b>Net foreign currency position</b>	<b>(29,653)</b>	<b>17,459</b>	<b>12,194</b>	<b>--</b>

**DESTEK FAKTORİNG AŞ AND ITS SUBSIDIARY****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

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*(Amounts expressed in thousands of US Dollars)***24. FAIR VALUES*****Fair Values Hierarchy of Financial Instruments***

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

- First level: Financial assets and liabilities in active markets for identical assets and liabilities are valued using stock market prices.
- Second level: Financial assets and liabilities, the related asset or liability, either directly or indirectly, other than quoted prices included within Level 1 observable market prices used for valuation purposes.
- Third level: Financial assets and liabilities, determining fair value of the asset or liability, are not based on observable market data used in the valuation.

The fair values of financial assets and liabilities are categorized as follows:

	<b>The fair value level as of the reporting date</b>			
	<b>31 December 2014</b>	<b>1. level</b>	<b>2. level</b>	<b>3. level</b>
<b>Financial Liabilities</b>	<b>10</b>	<b>-</b>	<b>10</b>	<b>-</b>
Derivative financial liabilities held for trading purpose	10	-	10	-

  

	<b>The fair value level as of the reporting date</b>			
	<b>31 December 2013</b>	<b>1. level</b>	<b>2. level</b>	<b>3. level</b>
<b>Financial Liabilities</b>	<b>1,720</b>	<b>-</b>	<b>1,720</b>	<b>-</b>
Derivative financial liabilities held for trading purpose	1,720	-	1,720	-