

**Finansal Kiralama, Faktoring ve Finansman
Şirketleri Birliđi And Subsidiaries**

Consolidated Financial Statements
As at and for the Year Ended
31 December 2020
With Independent Auditor's Report

Finansal Kiralama, Faktoring ve Finansman Şirketleri Birliđi And Subsidiaries

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INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Finansal Kiralama, Faktoring ve Finansman Şirketleri Birliđi

A) Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Finansal Kiralama, Faktoring ve Finansman Şirketleri Birliđi ("the Association") and its subsidiaries (together will be referred to as "the Group"), which comprise the consolidated statement of financial position as at 31 December 2020, the consolidated statements of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company Group as at 31 December 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

Basis for Opinion

We conducted our audit in accordance with Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under Standards on Auditing issued by POA are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We declare that we are independent of the Group in accordance with the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements in the regulations issued by POA that are relevant to audit of consolidated financial statements, and we have fulfilled our other ethical responsibilities in accordance with the POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

It was decided that we did not have a key audit matter to report in our report.

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

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of auditors in an audit are as follows:

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

As part of an audit in accordance with Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's

report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 of Turkish Commercial Code ("TCC") numbered 6102; no significant matter has come to our attention that causes us to believe that for the period between 1 January 2020 and 31 December 2020, the Association's bookkeeping activities and consolidated financial statements are not in compliance with TCC and provisions of the Association's articles of association in relation to financial reporting.

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

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
A member firm of KPMG International Cooperative



Ali Fağrul Uzun, SMMM
Partner

31 March 2021

İstanbul, Turkey

**FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts expressed in Turkish Lira (“TL”))

	Notes	Current period Audited 31 December 2020	Prior period Audited 31 December 2019
Assets			
Current assets			
Cash and cash equivalents	3	14,269,432	17,510,669
Trade receivables	5	541,821	504,482
Other receivables	6	168	84,518
Current tax assets	11	1,732	18,061
Other current assets	7	127,720	35,244
Total current assets		14,940,873	18,152,974
Non-current assets			
Subsidiaries	10	8,288,186	--
Property, plant and equipment	8	4,190,707	230,253
Intangible assets	9	2,031,991	2,083,955
Deferred tax asset	17	--	15,123
Other non-current assets		63,653	8,617
Total non-current assets		14,574,537	2,337,948
Total assets		29,515,410	20,490,922

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

**FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts expressed in Turkish Lira (“TL”))

	Notes	Current period Audited 31 December 2020	Prior period Audited 31 December 2019
Liabilities and Equity			
Current liabilities			
Short term lease liabilities	4	1,253,118	--
Trade payables	12	819,964	734,949
Employee termination benefits obligations	14	556,064	533,929
Deferred income	16	3,537,500	3,497,500
Current provisions for employee termination benefits	15	309,329	142,724
Tax payables	17	147,096	65,454
Other current liabilities	13	120,699	53,980
Total current liabilities		6,743,770	5,028,536
Non-current liabilities			
Long term lease liabilities	4	3,163,802	--
Deferred tax liabilities	17	3,136	8,104
Provisions for long-term employee benefits	15	395,101	371,851
Total non-current liabilities		3,562,039	379,955
Total liabilities		10,305,039	5,408,491
Shareholders' equity			
Other accumulated expenses that will not be reclassified to profit or loss		(79,857)	(149,096)
- <i>Defined benefit plans re-measurement (losses)/ gains</i>		(79,857)	(149,096)
Legal Reserves		15,000	15,000
Retained earnings		15,216,527	8,107,888
Net period income/(loss)		4,057,931	7,108,639
Total equity		19,209,601	15,082,431
Total liabilities and shareholders' equity		29,515,410	20,490,922

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

**FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ AND
SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

FOR THE YEAR ENDED 31 DECEMBER 2020

(All amounts expressed in Turkish Lira ("TL"))

	Notes	Current period Audited January 1 - 31 December 2020	Prior period Audited January 1 - 31 December 2019
Profit or loss			
Sales	18	22,976,990	24,212,742
Cost of sales (-)	18	(6,195,870)	(5,024,559)
Gross profit		16,781,120	19,188,183
General administrative expenses (-)	19	(12,848,593)	(13,556,607)
Other operating income	20	19,130	203,398
Other operating expense (-)	20	(151,263)	(131,878)
Operating profit		3,800,394	5,703,096
Financial income	21	1,539,542	1,817,460
Financial expense (-)	22	(838,704)	(35,137)
Profit / (loss) before tax from continuing operations		4,501,232	7,485,419
- Tax expense for the period	17	(443,728)	(382,232)
- Deferred tax income	17	427	5,452
Net period income		4,057,931	7,108,639
Other comprehensive income or loss Will not be reclassified to income or loss			
-Actuarial income / (loss)	15	79,821	(63,481)
-Deferred income /(expense)	17	(10,582)	(1,639)
Other comprehensive income or loss		69,239	(65,120)
Total comprehensive income or loss		4,127,170	7,043,519

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

FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ AND SUBSIDIARIES

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts expressed in Turkish Lira ("TL"))

	Other comprehensive income and expenses not to be reclassified to profit or loss	Defined benefit plans remeasurement losses	Legal reserves	Net Profit/(Loss)	Retained Earning	Total shareholders' equity
Balance as of January 1, 2019	(83,976)	15,000	(1,442,863)	9,550,751	8,038,912	
Transfers	--	--	1,442,863	(1,442,863)	--	
Net income/(loss) for the period	--	--	7,108,639	--	7,108,639	
Other comprehensive income/(loss)	(65,120)	--	--	--	(65,120)	
Total comprehensive income/(loss)	(65,120)	--	7,108,639	--	7,043,519	
Balance as of December 31, 2019	(149,096)	15,000	7,108,639	8,107,888	15,082,431	
Balance as of January 1, 2020	(149,096)	15,000	7,108,639	8,107,888	15,082,431	
Transfers	--	--	(7,108,639)	7,108,639	--	
Net income/(loss) for the period	--	--	4,057,931	--	4,057,931	
Other comprehensive income/(loss)	69,239	--	--	--	69,239	
Total comprehensive income/(loss)	69,239	--	4,057,931	--	4,127,170	
Balance as of December 31, 2020	(79,857)	15,000	4,057,931	15,216,527	19,209,601	

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

**FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020**

(All amounts expressed in Turkish Lira ("TL"))

	Notes	Current period Audited 1 January- 31 December 2020	Prior period Audited 1 January- 31 December 2019
Cash flows from operating activities:			
Net profit/(loss) for the year		4,057,931	7,108,639
Adjustments for the reconciliation of net profit and net cash gained from operating activities:			
Entrance fees and accrued shareholding costs	16	40,000	1,228,833
Depreciation and amortization	8, 9	1,879,399	406,463
Tax adjustments	17	443,301	376,780
Provision for employee termination benefits	15	103,071	205,568
Provision for unused vacation liability	15	166,605	(19,717)
Provision for doubtful receivables	5	(213,930)	(255,898)
Interest income	21	(1,543,307)	(1,817,460)
Interest expense	22	188,604	--
Cash flows from operating activities before changes in operating assets and liabilities		5,121,674	7,233,208
Changes in trade receivables, other receivables	5	201,941	(203,355)
Changes in other current assets	7	(92,476)	65,353
Changes in other non current assets		(55,036)	(7,813)
Changes in trade payables	12	85,015	205,315
Changes in employee benefit obligations	14	22,135	308,555
Changes in other payables and other liabilities	13	66,719	(518,515)
Tax paid	17	(345,757)	(80,655)
Net cash used from operating activities		5,004,215	7,029,707
Cash flows from investing activities			
Acquisition of subsidiary, net of cash acquired	10	(8,288,186)	--
Interest received	21	1,458,164	1,919,609
Cash flow from property, plant and equipment and intangible asset purchase	8,9	(295,902)	(1,102,672)
Cash flows from investing activities		(7,125,924)	816,937
Acquisition of related to financial lease contracts	4	(1,825,371)	--
Interests paid		620,700	--
Net cash / (used in) financing activities		(1,204,671)	--
Net changes in cash and cash equivalents		(3,326,380)	7,846,644
Cash and cash equivalents at the beginning of the period	3	17,492,136	9,645,492
Period-end cash and cash equivalents	3	14,165,756	17,492,136

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

FINANSAL KİRALAMA FAKTORİNG VE FINANSMAN ŞİRKETLERİ BİRLİĞİ AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT AS OF 31 DECEMBER 2020

(All amounts expressed in Turkish Lira ("TL"))

1. GROUP'S ORGANIZATION AND NATURE OF ACTIVITIES

Law No. 6361 on Leasing, Factoring and Financing Companies ("Law") Pursuant to Article 40, the Association of Financial Leasing, Factoring and Financing Companies ("FKB" or "Association") is a public institution that has a legal entity and is a public institution established by the publication of its Status in the o") in the Official Gazette on 25 July 2013. With the General Assembly meeting held on 5 July 2019, the new term Board of Directors was elected for 3 years and took over.

According to the law provisions, all financial leasing, factoring and financing companies that operate in Turkey, as of the date they receive permission to operate, have to join the Association within one month, comply with the provisions of the Statute, and must implement the decisions taken by the Association's competent body.

To assist the realization of the objectives of the Association pursuant to the decisions of the Board of Directors dated 7 January 2014, 2014/2, 2014/3 and 2014/4 and to established three commercial enterprises (subsidiary) with the following titles in accordance with the provisions of the Law, decided.

- 1) Finansal Kiralama, Faktoring ve Finansman Şirketleri Birliđi Finansal Kiralama İktisadi İřletmesi
- 2) Finansal Kiralama, Faktoring ve Finansman Şirketleri Birliđi Ticaret Finansmanı İktisadi İřletmesi,
- 3) Finansal Kiralama, Faktoring ve Finansman Şirketleri Birliđi İktisadi İřletmesi

Association and its subsidiaries together as the "Group" are operating in Turkey and located in Esentepe Mahallesi, Büyükdere Caddesi, Bahar Sokak, No:13 River Plaza Kat:18 Ofis No: 48-49 34394 Őiřli, İstanbul, Türkiye. As of the balance sheet date the number of personnel of the Group is 20 (December 31, 2019: 22).

Associations's subject of activity:

The Association is a professional institution that has a legal personality established in accordance with the Law and is a public institution.

Within the framework of free market economy and full competition principles and in line with regulation principles and rules of the industry, the aim of the Association is to defend the rights and interests of the companies to work for the sectors' growth, trusted work and the development of relevant professions and raise the competitiveness.

The Association performs the following tasks to accomplish this aim:

- a) Create policies for the development of sectors and relevant professions and take decisions,
- b) Determine the professional principles and standards that companies have to comply,
- c) To provide the companies to work in the unity, dignity and discipline that the profession requires according to the needs of the economy, by determining the principles and ethics of the profession,
- d) Inform the companies about the decisions taken by relevant legislation and by the Agency and the measures,
- e) Take the necessary measures to protect the competitive environment,
- f) Represent the sectors in the country and abroad, to promote and to make efforts to enlighten the public on this issue,
- g) Transfer the information which is collected through the economy, the financial sector and domestic and international developments in their system by monitoring; to its members and relevant persons,

FINANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT AS OF 31 DECEMBER 2020

(All amounts expressed in Turkish Lira (“TL”))

1. GROUP’S ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

Associations’s subject of activity: (Continued)

- ğ) Giving advices to official authorities and organizations about the issues of the companies and sectors,
- h) Take decisions that will strengthen professional solidarity relations between the companies,
- ı) Ensure the cooperation on joint projects between the members,
- i) Collect the companies’and sectors’ unconfidential statistics and announce to public,
- k) Follow up the regulations related to the sectors and to publicize these regulations to companies,
- l) Identify the principles to be followed in advertisements and announcements of the companies under the relevant legislation
- m) Follow up the implementation of the decisions and measures and decide to administrative penalty about the companies do not exactly comply with these totally and on time, within the context of the law,
- n) Organize seminars symposiums, conferences and such education programs on issues related to industry,
- o) Litigate about the common interests of the companies according to the Board of Directors’ decision,
- p) Take the measures which are required to be taken by the Agency,
- r) Determine the principles and procedures related to the registration of lease contracts to the special registry, by taking the relevant opinion of the Board,
- s) Consolidate the information about the assigned receivables including the invoice information of the factoring companies and banks with approval of the Association under the consideration of the Risk Center, determine the procedures and principles about sharing the information.
- t) Carry out other tasks given by the legislation

Finansal Kiralama, Faktoring ve Finansman Şirketleri Birliği Ticaret Finansmanı İktisadi İşletmesi was established on 27 February, 2014. The Factoring Commercial Enterprise’s purpose and scope are as follows:

- a) Making required investments in order to establish the system on which the information regarding transferred receivables including the data of invoices will be consolidated; as it is mentioned in article 43, titled as ‘Central Invoice Recording’, of Financial Leasing, Factoring and Financing Companies Law numbered 6361;
- b) Making operating and personnel expenses for the system to be run on a regular basis,
- c) Achieving service revenue related to the registration process that is performed in order for the system to operate in a well-ordered manner by performing any kind of activity and collecting fees for them
- d) Generating revenue via organizing training and consultancy activities like seminars and conferences about system operations,
- e) Claiming extra fee, in case the information which is demanded by the Association members and banks is not provided in a full and timely manner,
- f) Providing revenue on books, magazines and all kind of publications related to Central Invoice Recording System,
- g) Generating income via other activities performed according to the regulations to be published in accordance with the Financial Leasing, Factoring and Financing Companies Law numbered 6361, Article 43 with the title Central Invoice Recording,

FINANSAL KİRALAMA FAKTORİNG VE FINANSMAN ŞİRKETLERİ BİRLİĞİ AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT AS OF 31 DECEMBER 2020

(All amounts expressed in Turkish Lira (“TL”))

1. GROUP’S ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

Finansal Kiralama, Faktoring ve Finansman Şirketleri Birliği Ticaret Finansmanı İktisadi İşletmesi subject of activity: (Continued)

- h) Investing the revenue collected as a result of its financial activities, and depositing the revenue to the bank accounts that are deemed appropriate, being authorized for such actions.
- i) Acting as a private integrator within the scope of the Tax Procedure Law General Notification numbered 421.
- j) Providing electronic invoice storage services under the Tax Procedure Law General Notification numbered 416, 421 and 424.
- k) Providing “e-Archives” service under the Tax Procedure Law General Notification numbered 433.
- l) Manufacturing, developing, handling and reproducing software in every kind of physical and electronic atmosphere, trading of them and acting as a service provider for them which are electronic invoicing, electronic books, electronic invoice software derived from or an integrated part of mentioned software and the service packages consisting of this software,
- m) Producing services on internet, communication medium and all kinds of informatics and exporting, importing domestically trading every kind of computer hardware, software whilst obeying the legislation.
- n) Maintaining, repairing, modifying and leasing the mentioned hardware and software, performing activities for software development and licencing, importing, exporting and domestically trading the related hardware and software.
- o) Servicing for establishing and operating of computer systems
- p) Organizing, seminars, symposiums, conferences and such education and consulting services on issues related to the activities and services within the Factoring Commercial Enterprise and generating income for them.

Finansal Kiralama, Faktoring ve Finansman Şirketleri Birliği İktisadi İşletmesi was established on 24 March, 2014. The Commercial Enterprise’s purpose and scope are as follows:

- a) To conduct activities related to the expansion and development of the financial leasing, factoring ve financing companies in Turkey,
- b) Conducting and promoting studies and research regarding financial leasing, factoring and financing companies in order to provide highest level of service and quality,
- c) To make necessary investments for the establishment of the systems for certification, training, testing and evaluation of the creation and development of human resources of the sectors,
- d) Making operational and personnel expenses for the system to be run on a regular basis,
- e) To prepare and implement educational programs in order to increase the number of specialized staff in the sectors and to promote related sectors,
- f) Organizing required promotions in order to ensure enhancing the sector image to the highest level, to publish books, magazines and brochures, preparing video band, CD, DVD etc., to take ads, to assume, import and sell the publication rights of related books, to make periodical and non-periodical publications, to organize seminars, symposiums, and conferences with technicality, to organize training courses towards the training of personnel working at member institution and other entities,
- g) To organize various organizations, including dinner meetings to improve the feeling of social solidarity among employees of the Association’s member companies,
- h) Engaging activities in the areas which focus on generating revenues from services within the area of its activity.

FINANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT AS OF 31 DECEMBER 2020

(All amounts expressed in Turkish Lira (“TL”))

1. GROUP’S ORGANIZATION AND NATURE OF ACTIVITIES (Continued)

Finansal Kiralama, Faktoring ve Finansman Şirketleri Birliği Finansal Kiralama İktisadi İşletmesi was established on 27 February, 2014. The Financial Leasing Commercial Enterprise’s purpose and scope are as follows:

- a. Making necessary investments according to Financial Leasing, Factoring and Financing Companies Law numbered 6361, Articles 21 and 22 for the establishment of the system related to registration process,
- b. Making operational and personnel expenses for the system to be run on a regular basis,
- c. Performing all kind of activities in order to generate service revenue from registration process,
- d. Organizing trainings, conferences, publications and consulting activities regarding the registration process,
- e. Investing the revenue collected as a result of financial activities and depositing the revenue to the bank accounts that are deemed appropriate, being authorized for such actions.
- f. Signing of financial leasing contracts to be signed by financial leasing companies with their customers, making transactions regarding the receipt of guarantees within the scope of the contract, valuation and on-site supervision of the goods subject to the financial lease or the guarantee received in this context, assembly, transportation, storage and sale of goods returned to financial leasing companies from their tenants, financial leasing companies realizing the activities of determining whether the companies that sell the contracted goods to the leasing companies are production adequacy and/or whether they are authorized dealers, or coordinating the realization by a third party;
- g. In order to meet the needs of the Financial Leasing Industry; to produce, develop, process, reproduce, distribute, trade and provide services related to software products that are software or inseparable parts of them, and service packages created with these software and any other similar software;
- h. Producing services in the fields of informatics, communication, electronic communication environment, internet multimedia; to import, export and internal trade of all kinds of computer hardware, software, provided that they comply with the current legislation;
- i. Maintaining, repairing, modifying and leasing these hardware and software; to carry out all kinds of software development and licensing activities, to import, export and domestic sales;
- j. To provide installation and operation services of computer systems; To be active in all kinds of training and consultancy issues such as seminars, conferences, which may benefit the economic enterprise activities by contributing to the development of the leasing sector, related to all kinds of activities and services provided within the Financial Leasing Economic Enterprise.

FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT AS OF 31 DECEMBER 2020

(All amounts expressed in Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (continued)

A. Explanations on basis of presentation (continued)

Statement of compliance with Turkish Financial Reporting Standards (“TFRS”) (continued)

Association’s the accompanying financial statements are prepared in accordance with Turkish Financial Reporting Standards (“TFRS”s). TFRSs consist of standards and interpretations which are published by Public Oversight Accounting and Auditing Standards Authority (“POA”) as Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards, interpretations of TAS and interpretations of TFRS.

The financial statements are presented in accordance with the formats in the Illustrative Financial Statements and User Guide published in the Official Gazette numbered 30794 on 7 June 2019 and Electronic Financial Reporting Formats issued by POA.

Grup’s, which are subject to independent audit pursuant to the Turkish Commercial Code numbered 6102 that are not obliged to apply the TFRSs in accordance with the Board Decision of POA related to the Scope of Application of TAS, may prepare their financial statements in accordance with TFRSs. In this context, the Group management has preferred to prepare its financial statements as at 31 December 2020 in accordance with TFRSs as in prior period financial statements.

Approval of consolidated financial statements:

The consolidated financial statements prepared related to the accounting period which end up on 31 December 2020 have been approved by the Management of the Group on 18 March 2021 and will be submitted for approval in the first General Assembly that will take place. In the framework of the legislation, the Group’s authorized Boards and the regulatory institutions have the authority to alter the financial statements.

Functional and presentation currency

These financial statements are presented in TL which is the Company’s functional currency. All financial information has been presented in TL at full term, except when otherwise indicated.

Comparative information and restatement of prior period financial statements

In accordance with coherency principle, current period financial statements of the Entity are prepared in comparison with previous period. Comparative information is rearranged or reclassified in order to ensure compliance with presentation of profit or loss and other comprehensive income statements of current period.

FINANSAL KİRALAMA FAKTORİNG VE FINANSMAN ŞİRKETLERİ BİRLİĞİ AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT AS OF 31 DECEMBER 2020

(All amounts expressed in Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

A. Explanations on basis of presentation (Continued)

Netting / Offset

With all kinds of significant financial amounts, even with similar characteristics, are presented separately in the financial statements Non significant amounts are material or shown in terms of consolidating as similar items. As a result of the transaction and to make the event the necessary offsetting these transactions and the net amount of the event or the presence of the monitoring over the amount after impairment losses are not considered as a violation of the rule of offsetting. The income earned as a result of the transactions in the normal course of business of the Group, is presented as net value provided with the clause of being appropriate with the nature of the transaction or event.

Basis of consolidation

The Association and the subsidiaries are included in the consolidated financial statements.

Consolidated financial statements include the financial statements of the Association and its subsidiaries as of 31 December 2020. The balance sheet prepared in accordance with the Turkish Financial Reporting Standards ("TFRS") of the subsidiaries has been consolidated with the Association's balance sheet.

According to board decisions which are numbered 2014/2, 2014/3 and 2014/4 dated 7 January 2014, it is decided to establish commercial enterprises to provide continually income and assist for realization of the objectives for the Association of Financial Leasing, Factoring and Finance Companies in line with the law numbered 6361.

Field of activity of commercial enterprises, respectively are;

- To make the necessary investments for the establishment of related systems about registration process specified in articles 21 and 22 of the relevant law and operates in accordance,
- According to ‘Central Invoice Recording’ entitled under Article 43 at related law, to make required investments in order to establish the system that consolidate the information concerning the receivables (including invoice information) that are assigned to factoring companies and banks,
- To expand and develop activities of the Financial Leasing, Factoring and Finance Companies in Turkey.

Commercial enterprises consolidated are as follows:

Title	Address (City / Country)	Share Rate	Paid in Capital
Finansal Kiralama Faktoring ve Finansman Şirketleri Birliği Finansal Kiralama İktisadi İşletmesi (Finansal Kiralama İktisadi İşletmesi)	Istanbul/ Turkey	100%	100,000
Finansal Kiralama Faktoring ve Finansman Şirketleri Birliği Ticaret Finansmanı İktisadi İşletmesi (Ticaret Finansmanı İktisadi İşletmesi)	Istanbul/ Turkey	100%	100,000
Finansal Kiralama Faktoring ve Finansman Şirketleri Birliği İktisadi İşletmesi (Birlik İktisadi İşletmesi)	Istanbul/ Turkey	100%	105,000
Total			305,000

FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT AS OF 31 DECEMBER 2020

(All amounts expressed in Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

B. Summary of Significant Relevant Accounting Policies

Standards issued but not yet effective and not early adopted

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Company has not early adopted are as follows.

Classification of Liabilities as Current or Non-current (Amendments to TAS 1)

On 23 January 2020, IASB issued “Classification of Liabilities as Current or Non-Current” which amends IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position which are issued by POA on 12 March 2020 as amendments to TAS 1.

The amendments clarify one of the criteria in TAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments include:

- (a) Specifying that an entity’s right to defer settlement must exist at the end of the reporting period;
- (b) Clarifying that classification is unaffected by management’s intentions or expectations about whether the entity will exercise its right to defer settlement;
- (c) Clarifying how lending conditions affect classification; and
- (d) Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The Association shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, IASB decided to defer the effective date of IAS 1 until 1 January 2023 with the amendment published on 15 July 2020, and the amendment was issued by POA on 15 January 2021.

The Association is assessing the potential impact on its financial statements resulting from the application of the amendments to IAS 1.

FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT AS OF 31 DECEMBER 2020

(All amounts expressed in Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

B. Summary of Significant Relevant Accounting Policies (continued)

Standards issued but not yet effective and not early adopted(continued)

Property, Plant and Equipment—Proceeds before Intended Use (Amendments to TAS 16)

In May 2020, IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

The amendments improve transparency and consistency by clarifying the accounting requirements—specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. And then, TAS 16 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The Association shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

IBOR Reform and its Effects on Financial Reporting—Phase 2

In August 2020, IASB has published amendments which is issued by POA in 18 December 2020 that complement those issued in 2019 and focus on the effects of the interest rate benchmark reform on a company’s financial statements that arise when, for example, an interest rate benchmark used to calculate interest on a financial asset is replaced with an alternative benchmark rate.

The Phase 2 amendments, Interest Rate Benchmark Reform—Phase 2, address issues that might affect financial reporting during the reform of an interest rate benchmark, including the effects of changes to contractual cash flows or hedging relationships arising from the replacement of an interest rate benchmark with an alternative benchmark rate (replacement issues). In 2019, the Board issued its initial amendments in Phase 1 of the project and then these amendments were also issued by POA.

The objectives of the Phase 2 amendments are to assist companies in:

- applying TFRS Standards when changes are made to contractual cash flows or hedging relationships because of the interest rate benchmark reform; and
- providing useful information to users of financial statements.

In Phase 2 of its project, the Board amended requirements in TFRS 9 Financial Instruments, TAS 39 Financial Instruments: Recognition and Measurement, TFRS 7 Financial Instruments: Disclosures, TFRS 4 Insurance Contracts and TFRS 16 Leases relating to and these amendments were also **issued** by POA :

- changes in the basis for determining contractual cash flows of financial assets, financial liabilities and lease liabilities;
- hedge accounting; and
- disclosures.

The Phase 2 amendments apply only to changes required by the interest rate benchmark reform to financial instruments and hedging relationships.

FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT AS OF 31 DECEMBER 2020

(All amounts expressed in Turkish Lira ("TL"))

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

B. Summary of Significant Relevant Accounting Policies (Continued)

Standards issued but not yet effective and not early adopted (continued)

Annual Improvements to TFRS Standards 2018–2020

Improvements to TFRSs

For the current standards, "Annual Improvements in TFRSs / 2018-2020 Cycle" published by POA on 27 July 2020 is presented below. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Company does not expect that application of these improvements to TFRSs will have significant impact on its financial statements.

TFRS 1 First-time Adoption of International Financial Reporting Standards

This amendment simplifies the application of TFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts TFRS Standards later than its parent and applies TFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to TFRSs. This amendment will ease transition to TFRS Standards for subsidiaries applying this optional exemption by i) reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

TFRS 9 Financial Instruments

This amendment clarifies that – for the purpose of performing the ‘10 per cent test’ for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

Amendments are effective on 1 January 2020

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2022

The changes that become effective as of January 1, 2020 are as follows:

1-) The revised Conceptual Framework (Version 2018)

2-) Amendments to TFRS 3 - Definition of a Business

The application of the amendment in TFRS 3 did not have a significant impact on the financial statements of the The Association.

3-) Amendments to TAS 1 and TAS 8 - Definition of Material

The application of the amendment to TAS 1 and TAS 8 does not have a significant impact on the consolidated financial statements of the The Association.

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

The application of this amendment is not expected to have a significant impact on financial statements of The Association.

FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT AS OF 31 DECEMBER 2020

(All amounts expressed in Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

B. Summary of Significant Relevant Accounting Policies (Continued)

The significant accounting policies followed in the preparation of these financial statements are summarized below:

a) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, time deposits and demand deposits at banks.

b) Financial instruments

Trade receivables and provision for doubtful receivables

Trade receivables for which the Group is not in a cash flow forecast for the foreseeable future are deleted from the asset. The provision for doubtful receivables is reserved for receivables whose collectibility is doubtful and for which it is unclear whether the receivables are worthless. The amount of the provision is the difference between the recorded value of the receipt and the possible amount of receivable. Collectable amount is the amortized cost of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated transaction.

If all or part of the doubtful receivable is collected, the amount collected is deducted from the provision for doubtful receivables and recorded in other operating income.. Interest and other income from trading securities is also included into “Other income” in the income statement.

c) Property, plant and equipment

Property, plant and equipment are carried at cost value excluding accumulated depreciation and impairment. Depreciation on the property, plant and equipment is provided on straight-line method according to their useful lives from the date of recognition or assembly of the related asset. The estimated useful lives of assets are as follows:

	Years
Furnitures and fixtures	3-10
Leasehold improvements	4-5
Right-of ussets	5

Disposal of property, plant and equipment fixed assets or asset gain or loss arising on the difference between the sales proceeds and the carrying amount of the asset is included in the income statement. Further expenses are capitalised only if the expenses increase the future economic benefits.All other expenses are recognized in the comprehensive income report as expenses.

FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT AS OF 31 DECEMBER 2020

(All amounts expressed in Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

d) Intangible Assets

Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Years

Rights

3-10

e) Employee benefits

Employment termination benefits

In accordance with existing social legislation lump-sum termination indemnities are paid to each employee whose employment is terminated due to the retirement or dismissal. In the context of TAS 19 Employee benefits (“TAS 19”) mentioned type of payments are specified as defined retirement benefit plans.

The reserve has been calculated by estimating the present value of the future obligation of the Group that may arise from the retirement of the employees.

The liability is not funded as there is no funding requirement.

The Group accounts for employee termination benefits, vacation rights and other benefits to employees in accordance with “Turkish Accounting Standard for Employee Rights” (“TAS 19”). TAS 19 requires actuarial valuation methods to be developed to estimate the Group’s obligations under defined benefit plans.

The discount rate for pension commitments consistent with the maturity period and will be used for the payment of commitments, is estimated liabilities denominated in currencies, according to the changing discount rate that has been used over the years regarding the calculation as of 31 December 2020 and 31 December 2019. In line with a discount rate estimation for long-term inflation rate, the changing inflation rate has been used over the years.

The estimated rate of severance indemnity amounts that have not been paid as a result of on-demand departures and that have remained in the Group are also taken into consideration. It is assumed that, the rate of optional separation will be subject to past service period and to assume by calculating total retirement benefit obligation with making the analysis of past experience, expectations are reflected in the calculation of expected future demand separation.

Accordingly, in actuarial calculations, the possibility of employees leave voluntarily is included in the calculation as decreasing rate whilst having increased past service period.

FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT AS OF 31 DECEMBER 2020

(All amounts expressed in Turkish Lira (“TL”))

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

f) Shareholding charges, entrance fee and interest income/expense

Share of participation cost and entrance fee

The entrance fee revenues consist of fees allocated to the budget by the companies for once and the amount is determined by the Board of the Association. The share of participation cost consist of the fees for the Association and sectoral costs in the budget and are determined by the Board of the Association and approved by the General Assembly. Unlike 2019, additional expense participation share was collected for JCR Avrasya Derecelendirme A.Ş share purchase.

Revenues are recorded according to giving the service, having the transfer of risks and benefits associated with the service, determination of the amount of revenue reliably and economic benefits associated with the transaction that are or will be probable to be taken over to flow to the Association on an accrual basis over the fair value.

The entrance fees are reflected to income statement after the membership process is completed and the shares of participation cost are reflected regarding the following service period.

Interest income and expense

Interest income and expenses are recognized in the income statement in the period to which they relate on an accrual basis.

g) Taxes on income

The Association has exemption from the corporate tax and the value-added tax (“VAT”). However, the Association has obligation on stamp duty for papers issued in relation with its transactions. The subsidiaries are subject to corporate tax at 22%.

To be effective from 1 January 2006, in Turkey, whilst the corporate income is subject to corporate tax at 20%; according to the regulation numbered 7061, which is published in the Official Gazette dated 5 December 2017 and numbered 30261, the “Law on Amendments to Certain Tax Laws and Other Certain Laws” it is set at 22% to be applied to the corporate earnings of the tax years 2018, 2019 and 2020. In addition, the Council of Ministers was authorized to reduce the rate of 22% to 20% (31 December 2019: 20%).

The temporary taxes are calculated and accrued quarterly in Turkey.

Tax losses can be carried forward to offset against future taxable income for up to 5 years. But tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Corporations file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate. Tax returns and the related accounting records might be changed within 5 years by the tax authorities.

FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT AS OF 31 DECEMBER 2020

(All amounts expressed in Turkish Lira ("TL"))

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

h) The Effects of Changes in Foreign Currency

Foreign currency valuations are recorded by calculation with the exchange rate of the period; foreign currency assets and liabilities are valued with the buying exchange rate declared by the Central Bank of the Republic of Turkey of the balance sheet date. Income and expenses resulting from translation of foreign currency items are included in the income statement for the period.

i) Trade payables

Trade payables contain related goods and services billed or unbilled amounts, consist of debts having maturities of less than three months.

j) Subsequent Events

Subsequent events cover any events which arise between the date of approval of the financial statements and the balance sheet date, even if they occurred after declaration of the net profit for the period or specific financial information is publicly disclosed. The Group adjusts its financial statements if such subsequent events require an adjustment to the financial statements.

k) Provisions and contingent assets and liabilities

Provisions are booked when there is a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. When the amount of the obligation cannot be estimated and an outflow of resources is not probable, it is considered that a "contingent" liability exists and it is disclosed in the related notes to the financial statements. As of 31 December 2020 and 31 December 2019 the Group has no provision, contingent liabilities and assets.

l) Related parties

- a) A person or that person's immediate family are considered as related party to the Group if the following conditions have been met:
Certain party,
- (i) If it has control or joint control over the Group,
 - (ii) If it has significant influence over the Group
 - (iii) In the case of being a member of the Group or the parent Association's key management personnel
- b) If any of the following conditions are present, the entity is considered as related party of the Group:
- (i) Entity and Group are members of the same group
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity has a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group. (If the Group itself has such a plan, the sponsoring employers are also related to the Group.)
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

**FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ
AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
AS OF 31 DECEMBER 2020**

(All amounts expressed in Turkish Lira (“TL”))

3. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash	3,609	2,431
Bank		
- Demand deposits	147,226	52,055
- Time deposits	14,118,597	17,456,183
Total	14,269,432	17,510,669

As of 31 December 2020, the yearly weighted average interest rates of the TL deposits in the banks range between 15.50% and 16.75% (31 December 2019: 7.5% - 23.75%) and the accrued interest amount is TL 103,676 (31 December 2019: 18,533 TL) The maturity dates of the TL deposits in the banks vary between 4 January 2021 and 15 January 2021 (31 December 2019: 2 January 2020 and 31 January 2020).

As of 31 December 2020 and 31 December 2019, cash and cash equivalents of the Group are presented by deducting interest accruals from cash and cash equivalents:

	31 December 2020	31 December 2019
Cash and cash equivalents	14,269,432	17,510,669
Minus(-): Interest accruals	(103,676)	(18,533)
Cash and cash equivalents in the cash flow statement	14,165,756	17,492,136

4. LOANS AND BORROWINGS

As at 31 December 2020 and 2019, financial borrowings are comprised of the following:

	31 December 2020	31 December 2019
Short term borrowings		
Short term lease liabilities	1,253,118	--
Total short term borrowings	1,253,118	--
Long term borrowings		
Long term lease liabilities	3,163,802	--
Total long term borrowings	3,163,802	--

As at 31 December 2020 and 2019, the Association's total financial leasing are comprised of the following:

	31 December 2020	31 December 2019
Financial lease liabilities	4,416,920	--
Total	4,416,920	--

FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT AS OF 31 DECEMBER 2020

(All amounts expressed in Turkish Lira (“TL”))

4. LOANS AND BORROWINGS(Continued)

Financial lease liabilities(continued)

As at 31 December 2020, the movements of the Group's lease liabilities are as follows:

	2020
1 January 2020	--
Payments	5,491,987
Lease liabilities paid	(1,825,371)
Interest expense	750,304
31 December 2020	4,416,920

Liabilities from lease arise from office lease agreements in accordance with TFRS 16. The Lease Agreement covers 5 years from 1.1.2019 to 1.1.2024. and there is a right of termination with the condition of giving 4 months notice. Calculations for the remaining 3 years by the end of 31.12.2020 have been added to the reporting.

5. TRADE RECEIVABLES

	31 December 2020	31 December 2019
Receivables	168,365	72,220
Receivables from registration process (*)	175,529	121,542
Receivables from members	197,927	310,720
Doubtful trade receivables(**)	766,382	552,452
Provision for doubtful receivables	(766,382)	(552,452)
Total	541,821	504,482

(*) One of the entities subject to consolidation “Finansal Kiralama İktisadi İşletmesi”, performs registration of domestic and foreign leasing contracts. As a result of cooperation with “Merkezi Kayıt Kuruluşu”, registration process of leasing contracts are started being executed by “Finansal Kiralama İktisadi İşletmesi” since 9 February 2015.

(**) Receivables from members have allocated 100% provision in 2020 for receivables of TL 213,930 from Atak factoring (31 Aralık 2019: Receivables from members; Analiz Faktoring : TL 158,898 and Atak Faktoring: TL 97,000 and MFKS receivables; Atak Faktoring: TL 11,800 and Merkez Faktoring: TL 8,850).

Provision for doubtful receivables as of 2020 is as follows:

	2020	2019
Opening balance, 1 January	(552,452)	(275,904)
Provision on the current period	(213,930)	(276,548)
Ending balance, 31 December	(766,382)	(552,452)

6. OTHER RECEIVABLES

As of 31 December 2020, other receivables of the group is TL 168, which is contain receivables from tax office (31 December 2019: 84,518).

**FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ
AND SUBSIDIARIES**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
AS OF 31 DECEMBER 2020**

(All amounts expressed in Turkish Lira (“TL”))

7. OTHER CURRENT ASSETS

	31 December 2020	31 December 2019
Prepaid insurance policies	115,749	23,930
Reverse charge VAT	11,416	9,575
Personnel health insurance	--	1,242
Advances given	555	497
Total	127,720	35,244

8. PROPERTY, PLANT AND EQUIPMENT

Movements in tangible assets between 1 January - 31 December 2020 are as follows:

Property, plant and equipment	Furniture and fixtures	Leasehold improvement	Rights of use assets(*)	Total
Cost				
Opening balance, January 1, 2020	769,899	1,420,231	--	2,190,130
Additions	102,443	--	5,491,987	5,594,430
Disposals (-)	--	--	--	--
Closing balance as of December 31, 2020	1,346,673	1,420,231	5,017,656	7,784,560
Accumulated depreciation				
Opening balance, January 1, 2020	(539,693)	(1,420,184)	--	(1,959,877)
Charge for the period	(99,097)	(47)	(1,534,832)	(1,633,976)
Closing balance as of December 31, 2020	(757,373)	(1,420,231)	(1,416,249)	(3,593,853)
Net book value	589,300	--	3,601,407	4,190,707

**FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ
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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT
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(All amounts expressed in Turkish Lira ("TL"))

8. PROPERTY, PLANT AND EQUIPMENT (Continued)

Movements in property, plant and equipment between 1 January - 31 December 2019 are as follows:

Property, plant and equipment	Furniture and fixtures	Leasehold improvement	Rights of use assets(*)	Total
Cost				
Opening balance, January 1, 2019	718,194	1,420,231	--	2,138,425
Additions	53,297	--	--	53,297
Disposals(-)	(1,592)	--	--	(1,592)
Closing balance as of December 31, 2019	769,899	1,420,231	--	2,190,130
Accumulated depreciation				
Opening balance, January 1, 2019	(476,439)	(1,281,936)	--	(1,758,375)
Charge for the period	(63,254)	(138,248)	--	(201,502)
Closing balance as of December 31, 2019	(539,693)	(1,420,184)	--	(1,959,877)
Net book value	230,206	47	--	230,253

(*) The Association has accounted for real estate rents as "Assets of Right of Use" under Property, plant and equipment within the scope of TFRS 16 standard.

As of 31 December 2020, there is no pledge or blockage (31 December 2019: None.) Depreciation expenses are reflected in General Administrative Expenses and Costs of Sales accounts.

9. INTANGIBLE ASSETS

Movements in intangible assets between 1 January - 31 December 2020 are as follows:

	Rights	Other intangible assets	Total
Cost			
Opening balance, January 1, 2020	2,823,241	50,000	2,873,241
Additions	193,459	--	193,459
Closing balance as of December 31, 2020	3,016,700	50,000	3,066,700
Accumulated depreciation			
Opening balance, January 1, 2020	(754,286)	(35,000)	(789,286)
Charge for the period	(235,423)	(10,000)	(245,423)
Closing balance as of December 31, 2020	(989,709)	(45,000)	(1,034,709)
Net book value	2,026,991	5,000	2,031,991

FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT AS OF 31 DECEMBER 2020

(All amounts expressed in Turkish Lira (“TL”))

9. INTANGIBLE ASSETS (Continued)

Movements in intangible assets between 1 January - 31 December 2019 are as follows:

	Rights	Other intangible assets	Total
Cost			
Opening balance, January 1, 2019	1,773,867	50,000	1,823,867
Additions	1,049,374	--	1,049,374
Closing balance as of December 31, 2019	2,823,241	50,000	2,873,241
Accumulated depreciation			
Opening balance, January 1, 2019	(559,325)	(25,000)	(584,325)
Charge for the period	(194,961)	(10,000)	(204,961)
Closing balance as of December 31, 2019	(754,286)	(35,000)	(789,286)
Net book value	2,068,955	15,000	2,083,955

As of 31 December 2020, there is no pledge or blockage (31 December 2019: None.) Amortisation expenses are reflected in General Administrative Expenses and Costs of Sales accounts.

10. SUBSIDIARIES AND PARTICIPATIONS

According to board decisions which are numbered 2014/2, 2014/3 and 2014/4 dated 7 January 2014, decided that economic enterprises which inline act of law are established due to provide continually income and assist for realization of the objectives for the Association of Financial Leasing, Factoring and Finance Companies.

Nature of economic enterprises respectively;

- Make the necessary investments for the establishment of related systems about registration process specified in articles 21 and 22 of the relevant law and operates in accordance,
- According to ‘Merkezi Fatura Kaydı’ entitled under Article 43 at related law, economic enterprises make necessary investments for establish a system which banks and factoring companies share the information about receivables they take over including billing information and collect these information on the system,
- Expand and develops activities of Leasing, Factoring and Finance Companies in Turkey.

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10. SUBSIDIARIES AND PARTICIPATIONS (continued)

As of 31 December 2020 and 31 December 2019, the economic enterprises that are subsidiaries of the Association are as follows:

Title	Adress (City/Country)	31 December 2020		31 December 2019	
		Share Rate	Paid-in Capital	Share Rate	Paid-in Capital
JCR Avrasya Derecelendirme A.Ş.(*)	İstanbul/Turkey	%6	5,788,186	--	--
Birleşik İpotek Finansmanı A.Ş.(**)	İstanbul/Turkey	%5	2,500,000	--	--
Total			8,288,186		--

(*) The Association purchased a total of 59,999 shares representing 6% of the capital of JCR Avrasya Derecelendirme Anonim Şirketi with a nominal value of TL 59,999 for a price of TL 5,788,186.

(**) The Association purchased a total of 2,500,000 shares representing 5% of the capital of Birleşik İpotek Finansmanı Anonim Şirketi with a nominal value of TL 2,500,000 for a price of TL 2,500,000.

11. CURRENT PERIOD TAX ASSETS

As of 31 December 2020 the Group has TL 1,732 in taxable income account (31 December 2019: TL 18,061).

12. TRADE PAYABLES

	31 December 2020	31 December 2019
Trade payables to non-related parties (*)	819,964	734,949
Total	819,964	734,949

(*) Trade payables to non-related parties, consist of; technical services, advertising, corporate communications, vendor liabilities and balances owed to the Merkezi Kayıt Kuruluşu. (Regarding 21st and 22nd Articles of Law No. 6361, “Finansal Kiralama İktisadi İşletmesi” executes the registrations of domestic and cross border leasing agreements). Since 9 February 2015, as a result of cooperation with Merkezi Kayıt Kuruluşu, the registration process for leasing contracts are started to be executed by “Finansal Kiralama İktisadi İşletmesi” Trade payables’ maturities are less than 30 days.

As of 31 December 2020, the Group has TL 310,077 part, classified under other payables, consists of debts sourcing from contracts concluded in scope of realization of system and infrastructure establishment which shall be used by the software developed towards aggregation, recording, inquiring and reporting of invoice information and other information and/or documents related to receivables transferred in scope of the Law by factoring companies and banks in scope of contracts made with Kredi Kayıt Bürosu (31 December 2019: Kredi Kayıt Bürosu ; TL 282,940 and software development; TL 177,000).

13. OTHER CURRENT LIABILITIES

Other current liabilities consist of taxes and funds payable TL 48,113, VAT payable as responsible, TL 28,262, accruals of expenses, TL 32,706, order advances, TL 6,488 and other liabilities TL 5,130 items. (31 December 2019: taxes and funds payable : TL 18,904, VAT payable as responsible: TL 8,203, accruals of expenses: TL 22,000, order advances: TL 89,other :TL 4,784).

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14. PAYABLES RELATED TO EMPLOYEE BENEFITS

Debts amounting to TL 556,064 related to employee benefits consist of debts to staff, Social Security deductions and taxes to be paid (31 December 2019: TL 533,929).

15. EMPLOYEE BENEFITS

Provision for severance pay

In accordance with the existing labour law in Turkey, the Group entities operating in Turkey are required to make lump-sum payments to employees who have completed one year of service and whose employment is terminated without cause or who retire (age of 58 for women, age of 60 for men) or completed service years of 20 for women or 25 for men, are called up for military service or die. According to change of regulation, dated 8 September 1999, there are additional liabilities for the integration articles.

Such payments are full calculated on the basis of 30 days’ pay, maximum full TRY 7,117 as at 31 December 2020 (31 December 2019: TRY 6,380) per year of employment at the rate of pay applicable at the date of retirement or termination. Employee severance indemnity is calculated on a current basis and reflected on the consolidated financial statements. Calculation is predicated on the severance indemnity ceiling announced by the Government.

The reserve has been calculated by estimating the present value of future probable obligation of the Group arising from the retirement of the employees. According to TAS 19 “Employee Benefits”, the Group is required to utilize actuarial valuation methods to estimate the provision for employee termination benefits. As such, the actuarial assumptions used in the calculation of total liabilities are presented in the table below.

The principal assumption is that the maximum liability for each year of service will increase parallel 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 consolidated financial statements as at 31 December 2019 and 2018 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 following actuarial assumptions are used in the calculation of the total liability at the balance sheet date:

	31 December 2020	31 December 2019
Discount rate	3.74%	4.47%
Inflation rate	9.50%	7.50%

As of 31 December 2020 and 2019, the details of long-term provisions for employee benefits are as follows:

	31 December 2020	31 December 2019
Provision for severance pay	395,101	371,851
	395,101	371,851

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15. EMPLOYEE BENEFITS

Provision for severance pay (continued)

The movement of severance pay for the periods ended 31 December 2020 and 31 December 2019 is as follows:

	2020	2019
Opening balance (1 January)	371,851	282,423
Interest cost	36,765	64,230
Service cost	66,306	141,337
Indemnity paid	--	(183,423)
Actuarial loss/gain	(79,821)	67,284
Closing balance, 31 December	395,101	371,851

As 31 December 2020 and 31 December 2019, the vacation provision details are as follows:

	31 December 2020	31 December 2019
Opening balance (1 January)	142,724	162,441
Provision allocated during the period	166,605	--
Provision for unused vacation liability (cancelled)	--	(19,717)
Closing balance, 31 December	309,329	142,724

16. DEFERRED INCOME

As of 31 December 2020, charges of shareholding and entrance fees which have been collected from the members are recorded as income for the period of 1 January - 31 December 2020 and the portion of the following years' amounting to TL 3,537,500 was accounted as deferred income (31 December 2019: TL 3,497,500).

17. CURRENT PERIOD TAX ASSETS AND LIABILITIES

Corporate Tax

Corporate tax rate in Turkey which is mainly applied to tax base after adding non-deductible expenses to commercial profit of companies and deducting the legal exceptions is 22% as of 31 December 2020. (31 December 2019: 22%). According to Article 91 of the Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts, the Corporate Tax Rate regarding the taxation periods of 2018, 2019 and 2020 have been raised from 20% to 22% through the addition of a provisional clause (Article 10) added to the Corporate Tax Law numbered 5520. Since that implementation applied starting from 1 January 2018, the corporate tax is accepted as 22% in the financial statements.

Also, with the same law, the 75% exemption granted for the profits arising from the sale of the immovable properties included in the assets of the institutions for at least two full years shall be applied as 50% and it will be put in practice from 1 January 2018 as a result of change in corporate law numbered 5520.

In Turkey, the tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, provision for taxes shown in the consolidated financial statements reflects the total amount of taxes calculated on each entity that are included in the consolidation.

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

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate.

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17. CURRENT PERIOD TAX ASSETS AND LIABILITIES (continued)

Corporate Tax (continued)

Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

Income withholding tax:

There is also a withholding tax on the dividends paid and is accrued only at the time of such payments. Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

Transfer pricing regulations

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

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

For the years ended 31 December 2020 and 31 December 2019, income tax expense comprised the following:

	31 December 2020	31 December 2019
Tax Expense:		
Current tax expense	(443,728)	(382,232)
Deferred tax income:		
Temporary differences from deferred tax income	427	5,452
Total tax expense	(443,301)	(376,780)

As at 31 December 2020 and 2019, the income tax liability as follows:

	31 December 2020	31 December 2019
Corporate tax provision	443,728	382,232
Less: Prepaid taxes	(298,364)	(334,839)
Current tax asset / (Period profit tax liability)	145,364	47,393

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17. CURRENT PERIOD TAX ASSETS AND LIABILITIES (Continued)

Reconciliation of effective tax rate

The total taxation credit is different than the amount computed by applying the statutory tax rate to loss before tax as shown in the following reconciliation for the years ended 31 December:

	2020		2019	
	%	Tutar	%	Tutar
Reported profit/(loss) for the year		4,057,931		7,108,639
Total income tax credit/expense		(443,301)		(376,780)
Reported profit/(loss) before income tax		4,501,232		7,485,419
Income tax using the Grup's domestic tax rate	(0.22)	(990,874)	(0.22)	(1,646,792)
Tax-free income	0.13	557,738	0.16	1,233,846
Effect of expenses not recognized by law	(0.00)	(11,560)	(0.00)	(35,341)
Carryforward tax losses which is not recognized as deferred tax	--	--	0.00	10,555
Effect of additional discounts	0.00	16,910	0.01	64,752
Other	(0.00)	(15,515)	(0.00)	(3,800)
Income tax credit	(0.09)	(443,301)	(0.05)	(376,780)

Deferred tax is calculated over the temporary differences between the recorded values of assets and liabilities in the financial statements and the values used in the tax base, excluding the assets and liabilities differences recorded for the first time, which are not subject to tax deduction and are not subject to accounting and taxation.

Recognized deferred tax assets and liabilities

For calculation of deferred tax asset and liabilities, the rate of 22% (31 December 2019: 22%) is used.

	31 December 2020		
	Assets	Liabilities	Total
Financial lease liabilities	8,523	--	8,523
PPE and intangibles (excl. land, building, leasehold improvements and depr.), net	--	(50,122)	(15,706)
Provision for employment termination benefits	17,426	--	17,426
Provision for unused permission	9,215	--	9,215
Financial loss	11,822	--	11,822
Total	46,986	(50,122)	3,136

	31 December 2019		
	Assets	Liabilities	Total
PPE and intangibles (excl. land, building, leasehold improvements and depr.), net	--	(19,132)	(19,132)
Provision for employment termination benefits	24,423	--	24,423
Provision for unused permission	1,728	--	1,728
Total	26,151	(19,132)	7,019

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17. CURRENT PERIOD TAX ASSETS AND LIABILITIES (Continued)

Recognized deferred tax assets and liabilities (continued)

Movement of the deferred tax income / (expense) during years are as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Balance at 1 January	7,019	(597)
Recognized in the income statement	427	5,452
Accounted for in equity	(10,582)	2,164
Total	(3,136)	7,019

18. SALES AND COST OF SALES

	1 January - 31 December 2020	1 January - 31 December 2019
Association participation share costs	7,001,667	5,656,251
“MFKS”, “TZFS” and private integrator income (*)	5,528,450	5,436,764
Domestic registration fee income	4,402,050	3,133,900
Association additional participation share costs	2,006,099	5,727,420
Financial leasing participations share cost	1,322,500	1,041,666
Financing company participations share cost	1,175,000	1,204,000
Factoring company participations share costs	1,104,667	1,512,666
Leasing software project revenue	322,007	--
Education expenses	85,000	306,475
Association entrance fee	--	160,000
Foreign registration fee income	31,000	34,000
Total	22,978,440	24,213,142
Sales returns(-)	(1,450)	(400)
Net Sales	22,976,990	24,212,742
Cost of sales(-)	(6,195,870)	(5,024,559)
Gross profit	16,781,120	19,188,183

(*) “MFKS” revenues, as Central Invoice Recording and “TZFS” revenues, as Trade Chain Finance Expense.

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19. GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2020	1 January - 31 December 2019
Personnel expenses	8,509,989	8,149,686
Depreciation and amortization charges	1,545,701	239,990
Consultancy and audit expenses	894,526	797,340
Donation and aid expenses	500,300	30,631
Outsourced benefits and services	368,320	342,727
General office expenses	269,272	259,056
Membership fees	137,993	108,151
Conference and organization expenses	122,811	264,447
Banks’ withholding deductions	116,615	180,775
Promotion and advertising expenses	102,745	216,729
Representation and hospitality expenses	100,557	132,305
Accounting costs	45,336	37,171
Stamp tax	41,796	64,729
Travel expenses	19,058	391,955
Conference expense (FCI etc)	3,000	38,000
Stoppage	--	115,062
Sponsorships(*)	--	354,000
Lease expensed	--	1,770,921
Other expenses	70,574	62,932
Total	12,848,593	13,556,607

(*) Presidential Finance Office Financial Perception Survey

20. OTHER OPERATIONAL EXPENSES

The details of the Union's other operating income for the accounting periods 1 January - 31 December 2020 and 1 January - 31 December 2019 are as follows:

	1 Ocak - 31 Aralık 2020	1 Ocak - 31 Aralık 2019
Not doubtful receivables incomes	--	17,451
Other	19,130	185,947
Total	19,130	203,398

The details of the other operating expenses of the Union for the accounting periods 1 January - 31 December 2020 and 1 January - 31 December 2019 are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Provision expense	151,263	109,567
Other expense	--	22,311
Total	151,263	131,878

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21. FINANCIAL INCOME

Financial income consists of interest income from deposits amounting to TL 1,539,542 that consists of interest accrual income amounting to TL 19,760 (31 December 2019: TL 1,817,460 interest income, interest accrual income amounting to TL 18,533).

In addition, as of 31 December 2020, financial income includes exchange profit amount to TL 18,813 (31 December 2019 : TL 32,009).

22. FINANCIAL EXPENSE

Financial expenses consist of commission (bank expenses) expenses amounting to TL 3,654 and foreign exchange difference expenses amounting to TL 19,481 and TL 130,067 from interest expenses and TL 685,502 lease liabilities items (31 December 2019: commission expenses amounting to TL 2,442 (bank expenses) and foreign exchange difference expenses amounting to TL 32,695).

23. RELATED PARTY TRANSACTIONS

As of 31 December 2020 and 31 December 2019 the Group has no related party transactions and balances.

There are no compensations to key management personnel as of 31 December 2020 and 31 December 2019.

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24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

Risk management objectives and principles

The Group’s activities expose it to a variety of financial risks, including the effects of changes in debt and equity market prices, foreign currency exchange rates and interest rates. The Group’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group.

Credit risk

Having the financial instruments carries out an element of risk that the counterparties may be unable to meet the terms of the agreements. Group Management front these risks by limiting the aggregate risk to any individual counterparty and also in case, by obtaining collaterals. Group's collection risk arises mainly from receivables from members.

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24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2020	Other Receivables	Trade Receivables	Deposits at bank	Financial investments
Maximum exposure to credit risk at the reporting date (A+B+C+D+E) (1)	168	541,821	14,265,823	--
- The part of maximum risk guarantee with collateral or etc (2)	--	--	--	--
A. Net book value of financial assets that are neither past due nor impaired the net book value	168	541,821	14,265,823	--
B Having renegotiated conditions otherwise due to the carrying amount of financial assets accepted as past due or impaired	--	--	--	--
C. Net book value of financial assets that are past due but not impaired the net book value	--	--	--	--
- The part of net values under guarantee with collateral.	--	--	--	--
D. Net book value of financial assets that are impaired the net book value	--	--	--	--
- Past due (gross carrying amount)	--	766,382	--	--
- Impairment (-)	--	(766,382)	--	--
- The part of net values under guarantee with collateral.	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--
- Impairment (-)	--	--	--	--
- The part of net values under guarantee with collateral.	--	--	--	--
E. Off-balance sheet items with credit risk	--	--	--	--

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24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

As of 31 December 2019	Other Receivables	Trade Receivables	Deposits at bank	Financial investments
Maximum exposure to credit risk at the reporting date (A+B+C+D+E) (1)	--	504,482	17,508,238	--
- The part of maximum risk guarantee with collateral or etc (2)	--	--	--	--
A. Net book value of financial assets that are neither past due nor impaired the net book value	--	504,482	17,508,238	--
B Having renegotiated conditions otherwise due to the carrying amount of financial assets accepted as past due or impaired	--	--	--	--
C. Net book value of financial assets that are past due but not impaired the net book value	--	--	--	--
- The part of net values under guarantee with collateral.	--	--	--	--
D. Net book value of financial assets that are impaired the net book value	--	--	--	--
- Past due (gross carrying amount)	--	552,452	--	--
- Impairment (-)	--	(552,452)	--	--
- The part of net values under guarantee with collateral.	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--
- Impairment (-)	--	--	--	--
- The part of net values under guarantee with collateral.	--	--	--	--
E. Off-balance sheet items with credit risk	--	--	--	--

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24. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)

Liquidity risk

The risk of funding of existing and prospective debt requirements is managed by arranging sustainable accessibility to sufficient number of high-qualified lenders.

Prudent liquidity risk management refers to the ability to hold sufficient cash and securities, the availability of adequate utilizing funding sources and credit transactions, and the ability to close market positions.

The table below shows the Group’s distribution of non-derivative financial liabilities’ maturity profile as of 31 December 2020 and 31 December 2019:

December 31, 2020

Maturities in accordance with agreement	Book values	Total cash outflow in accordance with agreement (=I+II+III)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)
Non-derivative financial liabilities					
Financial lease liabilities	4,416,920	5,472,006	425,958	1,395,305	3,650,743
Trade payables	819,964	819,964	819,964	--	--
Total	5,236,884	6,291,970	1,245,922	1,395,305	3,650,743

December 31, 2019

Maturities in accordance with agreement	Book values	Total cash outflow in accordance with agreement (=I+II+III)	Less than 3 months (I)	Between 3-12 months (II)	Between 1-5 years (III)
Non-derivative financial liabilities					
Trade payables	734,949	734,949	734,949	--	--
Total	734,949	734,949	734,949	--	--

Interest rate risk

The Group has no interest rate risk as of 31 December 2020 since it has no asset with fleible interest. (31 December 2019: None).

Foreign currency risk

The Group is exposed to foreign currency risk due to exchanging of the foreign currency assets and libalites amounts to TL. The Group follows balanced foreign exchange policy in order to reduce its foreign currency risk.

As of 31 December 2020 the Group has no foreign currency balance and was not exposed to exchange rate risk (31 December 2019: None).

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25. SUBSEQUENT EVENTS FOLLOWING THE BALANCE SHEET DATE

- 1- The amendments to the Law No. 6361 on Financial Leasing, Factoring and Financing Companies ("Law No. 6361") entered into force by publication in the Official Gazette No. 31416 on March 7, 2021 with Law no. 7292. While the name of the Law numbered 6361 is changed to read "Financial Leasing, Factoring, Financing and Saving Finance Companies Law", the scope of activities designated to Association of Financial Leasing, Factoring, Financing Companies is further regulated.
- 2- The official title of the Association, which is “Association of Financial Leasing, Factoring and Financing Companies”, has been changed and made the same as the “Financial Institutions Association” brand used in practice.
- 3- Savings financing companies were included in the scope of Law No. 6361 and special regulations regarding savings financing were added to the Law. It is obligatory to become a member of the Union within one month after obtaining the operating permit for savings finance companies that have completed the adjustment process regulated in the law.
- 4- Asset management companies subject to regulations under the Banking Law No. 5411 are obliged to become a member of the Association within one month from the effective date of the Law.

26. OTHER ISSUES THAT HAVE SIGNIFICANT EFFECT ON THE BALANCE SHEET OR THAT ARE AMBIGUOUS AND/OR OPEN TO INTERPRETATION AND REQUIRE CLARIFICATION:

None.