

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

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

# **Finansal Kiralama, Faktoring ve Finansman Şirketleri Birliđi**

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## INDEPENDENT AUDITOR'S REPORT

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

### A) Audit of the Financial Statements

#### *Opinion*

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Association as at 31 December 2020, and its financial performance and its 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 Financial Statements* section of our report. We declare that we are independent of the Association 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 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 Financial Statements*

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

In preparing the financial statements, management is responsible for assessing the Association'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 Association or to cease operations, or has no realistic alternative but to do so.

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

### *Auditor's Responsibilities for the Audit of the Financial Statements*

Responsibilities of auditors in an audit are as follows:

Our objectives are to obtain reasonable assurance about whether the 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 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 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 Association'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 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 Association to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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 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

## UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET) AS OF 31 DECEMBER 2020

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

		<b>Current period Audited</b>	<b>Prior period Audited</b>
	<b>Notes</b>	<b>31 December 2020</b>	<b>31 December 2019</b>
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents	3	8,156,313	13,054,070
Trade receivables	5	197,927	310,720
Other current assets	6	116,304	24,427
<b>Total current assets</b>		<b>8,470,544</b>	<b>13,389,217</b>
<b>Non-current assets</b>			
Subsidiaries	9	8,593,186	305,000
Property, plant and equipment	7	3,315,471	81,655
Intangible assets	8	--	338
<b>Total non-current assets</b>		<b>11,908,657</b>	<b>386,993</b>
<b>Total assets</b>		<b>20,379,201</b>	<b>13,776,210</b>

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

**FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ**

**UNCONSOLIDATED STATEMENT OF FINANCIAL POSITION (BALANCE SHEET)  
AS OF 31 DECEMBER 2020**

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

	Notes	Current period Audited 31 December 2020	Prior period Audited 31 December 2019
<b>Liabilities and Equity</b>			
<b>Current liabilities</b>			
Short term lease liabilities	4	1,026,352	--
Trade payables	10	181,340	81,916
Employee termination benefits obligations	12	441,930	372,250
Deferred income	14	3,537,500	3,497,500
Short term provisions for employee benefits	11	263,255	134,866
Other short-term liabilities	13	54,128	12,736
<b>Total current liabilities</b>		<b>5,504,505</b>	<b>4,099,268</b>
<b>Non-current liabilities</b>			
Long term lease liabilities	4	2,591,277	--
Long term provisions for employee benefits	11	307,969	260,840
<b>Total non-current liabilities</b>		<b>2,899,246</b>	<b>260,840</b>
<b>Total liabilities</b>		<b>8,403,751</b>	<b>4,360,108</b>
<b>Shareholders' equity</b>			
Accumulated other comprehensive income or loss not reclassified through profit or loss		(131,042)	(157,955)
- <i>Defined benefit plans re-measurement gain / (loss)</i>		<i>(131,042)</i>	<i>(157,955)</i>
Retained earnings		9,574,057	3,775,116
Net income / (loss) for the period		2,532,435	5,798,941
<b>Total equity</b>		<b>11,975,450</b>	<b>9,416,102</b>
<b>Total liabilities and shareholders' equity</b>		<b>20,379,201</b>	<b>13,776,210</b>

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

# FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ

## UNCONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME AS OF 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
<b>Profit or Loss</b>			
Sales	15	12,609,933	15,302,003
<b>Gross profit</b>		<b>12,609,933</b>	<b>15,302,003</b>
General administrative expenses	16	(10,300,553)	(10,641,371)
Other income from operating activities	17	8,346	44,700
Other expense from operating activities (-)	18	(92,263)	(88,949)
<b>Operating profit</b>		<b>2,225,463</b>	<b>4,616,383</b>
Financial income	19	995,580	1,215,160
Financial expense (-)	19	(688,608)	(32,602)
<b>Net period income</b>		<b>2,535,435</b>	<b>5,798,941</b>
<b>Other comprehensive income and expenses</b>			
<b>Items that will not be reclassified through income / loss</b>			
- Defined benefit plans gain / loss(*)	11	26,913	(54,048)
		26,913	(54,048)
<b>Items that will be classified through income / loss</b>			
		--	--
<b>Other comprehensive income /(loss), Net</b>		<b>26,913</b>	<b>(54,048)</b>
<b>Total comprehensive income / (loss)</b>		<b>2,559,348</b>	<b>5,744,893</b>

(\*) The deferred tax is not calculated because the Association is not a taxpayer.

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



**FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ**

**UNCONSOLIDATED STATEMENT OF CHANGES IN EQUITY AS OF 31 DECEMBER 2020**

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

	Accumulated other comprehensive income or loss not reclassified through income or loss	Defined benefit plans remeasurement income / (loss)	Net Income/Loss (653,892)	Retained Earnings 4,429,008	Total shareholders' equity 3,671,209
<b>Balance as of 1 January 2019</b>	<b>(103,907)</b>				
Transfers	--		653,892	(653,892)	--
Net income / (loss) for the period	--		5,798,941	--	5,798,941
Other comprehensive income / (loss)	(54,048)		--	--	(54,048)
<b>Total comprehensive income / (loss)</b>	<b>(54,048)</b>		<b>5,798,941</b>	<b>--</b>	<b>5,744,893</b>
<b>Balance as of 31 December 2019</b>	<b>(157,955)</b>		<b>5,798,941</b>	<b>3,775,116</b>	<b>9,416,102</b>
<b>Balance as of 1 January 2020</b>	<b>(157,955)</b>		<b>5,798,941</b>	<b>3,775,116</b>	<b>9,416,102</b>
Transfers	--		(5,798,941)	5,798,941	--
Net income / (loss) for the period	--		2,532,435	--	2,532,435
Other comprehensive income / (loss)	26,913		--	--	26,913
<b>Total comprehensive income / (loss)</b>	<b>26,913</b>		<b>2,532,435</b>	<b>--</b>	<b>2,559,348</b>
<b>Balance as of 31 December 2020</b>	<b>(131,042)</b>		<b>2,532,435</b>	<b>9,574,057</b>	<b>11,975,450</b>

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

# FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 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
<b>Cash flows from operating activities:</b>			
Net profit / (loss) for the year		2,532,435	5,798,941
<b>Adjustments for the reconciliation of net profit and net cash provided by operating activities:</b>			
Deferred cost participation shares	14	40,000	1,228,833
Depreciation and amortization	7,8	1,324,799	213,419
Provision for employee termination benefits	11	74,042	98,510
Provision for unused vacation liability	11	128,389	(10,847)
Provision for doubtful receivables	5	(154,930)	(255,898)
Interest income	19	(995,580)	(1,215,160)
<b>Net cash flows from operating activities before changes in operating assets and liabilities</b>		<b>2,949,155</b>	<b>5,857,798</b>
Changes in trade receivables	5	267,723	(34,822)
Changes in other current assets	6	(91,877)	(7,176)
Changes in trade payables	10	99,424	(9,582)
Changes in employee benefit obligations	11	69,680	115,500
Changes in other payables and other liabilities	13	41,392	(47,464)
<b>Net cash provided by / (used) in operating activities</b>		<b>3,335,497</b>	<b>5,874,254</b>
<b>Cash flows from investing activities:</b>			
Acquisition of subsidiary, net of cash acquired		(8,288,186)	--
Interest income	19	926,555	1,285,572
Cash outflow used in purchasing of property, plant and equipment and intangible asset	7,8	(60,126)	(39,995)
<b>Net cash provided from investing activities</b>		<b>(7,421,757)</b>	<b>1,245,577</b>
Acquisition of related to financial lease contracts		(1,495,050)	--
Interests paid		614,528	--
<b>Net cash / (used in) financing activities</b>		<b>(880,522)</b>	<b>--</b>
Net changes in cash and cash equivalents		(4,966,782)	7,119,831
Cash and cash equivalents at the beginning of the period	3	13,039,179	5,919,348
<b>Cash and cash equivalents</b>	<b>3</b>	<b>8,072,397</b>	<b>13,039,179</b>

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

# FINANSAL KİRALAMA FAKTORİNG VE FINANSMAN ŞİRKETLERİ BİRLİĞİ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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### 1. ASSOCIATION’S ORGANIZATION AND NATURE OF ACTIVITIES

#### **Association’s Organization:**

The associations which undertook similar activities before the Law No.6361, Finansal Kiralama Derneği (“Leasing Association”), Faktoring Derneği (“Factoring Association”) and Tüketici Finansmanı Şirketleri Derneği (“Consumer Financing Companies Association”) were decided to liquidate since they are not required after the foundation of the Finansal Kiralama, Faktoring ve Finansman Şirketleri Birliği (“The Association”).

According to Article 40 of the Financial Leasing, Factoring and Financing Companies Law No. 6361, The Association is a professional organization that has a legal entity and is a public institution with publication of the Association Status (“Status”) 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.

Finansal Kiralama, Faktoring ve Finansman Şirketleri Birliği “The Association of Financial Leasing, Factoring and Financing Companies” (“the Association”) is operating in Turkey and located in Esentepe Mahallesi, Büyükdere Caddesi, Bahar Sokak, No:13 River Plaza Kat:18 Ofis No: 48-49 34394 Şişli, İstanbul, Turkey. As of the balance sheet date the number of personnel of the Association is 15 (31 December 2019: 16).

#### **Subject of activity:**

Association is a professional organization 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 for raising 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) 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,

# FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

- g) Monitors domestic and international developments in the economy, in the financial sector, and in their system; transfers the information collected to its members and relevant people,
- h) Giving advices to official authorities and organizations about the issues of the companies and sectors,
- i) Take decisions that will strengthen professional solidarity relations between the companies,
- j) Ensure the cooperation on joint projects between the members,
- k) Collect the companies’ and sectors’ non confidential statistics and announce to public
- l) Follow up the regulations related to the sectors and to publicize these regulations to companies,
- m) Identify the principles to be followed in advertisements and announcements of the companies under the relevant legislation
- n) 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,
- o) Organize seminars symposiums, conferences and such education programs on issues related to industry,
- p) Litigate about the common interests of the companies according to the Board of Directors’ decision,
- r) Take the measures which are required to be taken by the Agency,
- s) Determine the principles and procedures related to the registration of lease contracts to the special registry, by taking the relevant opinion of the Board,
- t) 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,
- u) Carry out other tasks given by the legislation.

### 2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

#### A. Explanations on basis of presentation

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

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.

Companies, 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.

# FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

#### A. Explanations on basis of presentation (Continued)

##### **Approval of financial statements:**

The unconsolidated financial statements prepared related to the accounting period which end up on 31 December 2020 have been approved by the Management of the Association 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 Association’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.

##### **Netting / Offset**

With all kinds of significant financial amounts, even with similar characteristics, are presented separately in the financial statements. Non-significant amounts are 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 Association, is presented as net value provided with the clause of being appropriate with the nature of the transaction or event.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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**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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**

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

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**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.



**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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**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

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

#### B. Summary of Significant Relevant Accounting Policies (Continued)

##### (a) Cash and cash equivalents

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

##### (b) Financial instruments

###### *Trade receivables and provision for doubtful receivables*

Trade receivables for which the Association 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 collectability 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.

# FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

#### B. Summary of Significant Relevant Accounting Policies (Continued)

##### (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
Machinery and equipment	3-10

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Expense, incurred during changing of a component belonging to property, plant and equipment item recognized in a separate manner, is capitalized and carrying amount of adjusted component is recorded as expense. Subsequent expenses are only capitalized if future economic benefits of related property, plant and equipment fixed asset item. All other expenses are recognized in comprehensive income report as incurred expense.

##### (d) Intangible Assets

Intangible assets consist of license fees. 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	3-5

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If there is an impairment, the carrying amount of the intangible asset is reduced to its recoverable amount.

##### (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 employee termination recognized in the balance sheet has been calculated based on the net present value of the future salary of all employees due to their retirement and reflected in the financial statements.

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

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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

**B. Summary of Significant Relevant Accounting Policies (Continued)**

**(e) Employee benefits (continued)**

The Association accounts for employee termination benefits, vacation rights and other benefits to employees in accordance with International Accounting Standard for Employee Rights (“IAS 19”) requires actuarial valuation methods to be developed to estimate the Association’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 December 31, 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 optional employee termination benefit as a result of not paid severance pay which will be taken into account in the Association. 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.

**(f) 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 and on VAT for papers issued in relation with its transactions.

The Association is in the scope of partial withholding application since the VAT General Application Communiqué is included in the de “specific buyer ”class in the “2.1.3 Partial Deduction Application” section.

**(h) Foreign exchange transactions**

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 Association adjusts its financial statements if such subsequent events require an adjustment to the financial statements.

**NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF  
31 DECEMBER 2020**

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

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

**B. Summary of Significant Relevant Accounting Policies (Continued)**

**k) Provisions and contingent assets and liabilities**

Provisions are recognized 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 2019, the Association 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 Association if the following conditions have been met:

Certain party,

- (i) If it has control or joint control over the Association,
- (ii) If it has significant influence over the Association
- (iii) In the case of being a member of the Association or the parent Association's key management personnel.

b) If any of the following conditions are present, the Association is considered as related party:

- (i) Entity and the Company are the members of 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 is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- (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).

**(m) Revenue**

*Cost share 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.

# FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

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

#### C. Significant accounting judgments, estimations and assumptions

Preparation of financial statements requires the use of estimates and assumptions that may affect the amount of assets and liabilities recognized as of the balance sheet date, disclosures of contingent assets and liabilities and the amount of revenue and expenses reported. Although, these estimates and assumptions rely on the management’s best knowledge about current events and transactions, actual outcomes may vary from those estimates and assumptions. Estimations and decisions are continuously evaluated. Management also takes certain decisions related to application of accounting principles. Significant reviews, estimations and assumptions which can have an important impact of consolidated financial statement and can cause important changes on carried values of assets and liabilities in the following period are as follows:

**Useful lives of property, plant and equipment fixed assets:** Useful economic lives of assets of the Entity are determined by the Entity on acquisition date of asset and reviewed periodically with respect to appropriateness. The entity determines useful life of an asset through taking estimated benefit of the related asset into account. The aforementioned evaluation is based on related experiences of the Entity to similar assets.

**Provision for severance pay:** In accordance with existing social legislation, the Entity is required to make lump-sum payments to employees upon termination of their employment based on certain conditions. In calculating the related liability to be recorded in the financial statements for these defined benefit plans, the Entity makes assumptions and estimations relating to the discount rate to be used, turnover of employees and future change in salaries and limits.

### 3. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Cash	1,641	525
Bank		
- Demand deposits	75,914	8,535
- Time deposits (*)	8,078,758	13,045,010
<b>Total</b>	<b>8,156,313</b>	<b>13,054,070</b>

(\*) As of 31 December 2020, the yearly weighted average interest rate for TL deposits in the bank ranges between 7.50% and 16.75% and accrued interest amount is TL 83,916. The maturity dates of TL deposits in banks vary between 4 January 2021 and 15 January 2021 (31 December 2019: the yearly weighted average interest rate for TL deposits in the bank ranges between 7.50% and 23.75% and accrued interest amount is TL 14,891. The maturity dates of TL deposits in banks vary between 2 January 2020 and 28 January 2020 ).

Cash and cash equivalents based on cash flow statements are as follows:

	31 December 2020	31 December 2019
Cash and cash equivalents	8,156,313	13,054,070
Interest accruals (-)	(83,916)	(14,891)
<b>Cash and cash equivalents in cash flow statement</b>	<b>8,072,397</b>	<b>13,039,179</b>

# FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

### 4. LOANS AND BORROWINGS

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

	31 December 2020	31 December 2019
<b>Short term borrowings</b>		
Short term lease liabilities	1,026,352	--
<b>Total short term borrowings</b>	<b>1,026,352</b>	<b>--</b>
<b>Long term borrowings</b>		
Long term lease liabilities	2,591,277	--
<b>Total long term borrowings</b>	<b>2,591,277</b>	<b>--</b>

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	3,617,629	--
<b>Total</b>	<b>3,617,629</b>	<b>--</b>

#### *Financial lease liabilities*

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

	31 December 2020
<b>1 January 2020</b>	<b>--</b>
Payments	4,498,151
Lease liabilities paid	(1,495,050)
Interest expense	614,528
<b>31 December 2020</b>	<b>3,617,629</b>

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

Provision for trade receivables as of 31 December 2020 and 31 December 2019 are as follows:

	2020	2019
Receivables	197,927	310,720
Trade receivables	607,593	452,663
Provision for doubtful receivables	(607,593)	(452,663)
<b>Ending Balance, 31 December</b>	<b>197,927</b>	<b>310,720</b>

# FINANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

### 5. TRADE RECEIVABLES (continued)

Provision for doubtful receivables as of 31 December 2020 and 31 December 2019 are as follows:

	2020	2019
Opening Balance, 1 January	(452,663)	(196,765)
Provision on the current period (*)	(154,930)	(255,898)
<b>Ending Balance, 31 December</b>	<b>(607,593)</b>	<b>(452,663)</b>

(\*) As of 31 December 2020, The Association has allocated 100% provision for its receivables amounting to 154,930 TL from Atak Factoring (31 December 2019: 158,898 TL from Analiz Factoring and 97,000 TL from Atak Factoring ).

### 6. OTHER CURRENT ASSETS

The details of other current assets as of 31 December 2020 and 31 December 2019 are as follows:

	31 December 2020	31 December 2019
Prepaid insurance expense	115,749	23,930
Advance given	555	497
<b>Total</b>	<b>116,304</b>	<b>24,427</b>

### 7. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	Furniture and fixtures	Rights of use assets(*)	Leasehold improvements	Total
<b>Cost</b>				
Opening balance, 1 January 2020	465,313	--	1,420,231	1,885,544
Additions	60,126	4,498,151	--	4,558,277
<b>Closing balance, 31 December 2020</b>	<b>525,439</b>	<b>4,498,151</b>	<b>1,420,231</b>	<b>6,443,821</b>
<b>Accumulated depreciation</b>				
Opening balance, 1 January 2020	(383,705)	--	(1,420,184)	(1,803,889)
Amortization expense for the period	(40,090)	(1,284,324)	(47)	(1,324,461)
<b>Closing balance, 31 December 2020</b>	<b>(423,795)</b>	<b>(1,284,324)</b>	<b>(1,420,231)</b>	<b>(3,128,350)</b>
<b>Net book value</b>	<b>101,644</b>	<b>3,213,827</b>	<b>--</b>	<b>3,315,471</b>

# FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

### 7. PROPERTY, PLANT AND EQUIPMENT (continued)

Property, plant and equipment	Furniture and fixtures	Rights of use assets(*)	Leasehold improvements	Total
<b>Cost</b>				
Opening balance, 1 January 2019	425,318	--	1,420,231	1,845,549
Additions	39,995	--	--	39,995
<b>Closing balance, 31 December 2019</b>	<b>465,313</b>	<b>--</b>	<b>1,420,231</b>	<b>1,885,544</b>
<b>Accumulated depreciation</b>				
Opening balance, 1 January 2019	(329,982)	--	(1,281,936)	(1,611,918)
Amortization expense for the period	(53,723)	--	(138,248)	(191,971)
<b>Closing balance, 31 December 2019</b>	<b>(383,705)</b>	<b>--</b>	<b>(1,420,184)</b>	<b>(1,803,889)</b>
<b>Net book value</b>	<b>81,608</b>	<b>--</b>	<b>47</b>	<b>81,655</b>

(\*) 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 charges are reflected to General Administrative Expenses on income statement.

### 8. INTANGIBLE ASSETS

	Rights	Total
<b>Cost</b>		
Opening balance, 1 January 2020	206,044	206,044
Additions	--	--
<b>Closing balance, 31 December 2020</b>	<b>206,044</b>	<b>206,044</b>
<b>Accumulated depreciation</b>		
Opening balance, 1 January 2020	(205,706)	(205,706)
Amortization expense for the period	(338)	(338)
<b>Closing balance, 31 December 2020</b>	<b>(206,044)</b>	<b>(206,044)</b>
<b>Net book value</b>	<b>--</b>	<b>--</b>
<b>Cost</b>		
Opening balance, 1 January 2019	206,044	206,044
Additions	--	--
<b>Closing balance, 31 December 2019</b>	<b>206,044</b>	<b>206,044</b>
<b>Accumulated depreciation</b>		
Opening balance, 1 January 2019	(184,258)	(184,258)
Amortization expense for the period	(21,448)	(21,448)
<b>Closing balance, 31 December 2019</b>	<b>(205,706)</b>	<b>(205,706)</b>
<b>Net book value</b>	<b>338</b>	<b>338</b>

As of 31 December 2020, there is no pledge or blockage (31 December 2019: None) Charges are reflected to General Administrative Expenses on income statement.



# FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

### 9. 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.

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
Finansal Kiralama İktisadi İşletmesi	İstanbul/Turkey	% 100	100,000	100%	100,000
Ticaret Finansmanı İktisadi İşletmesi	İstanbul/Turkey	% 100	100,000	100%	100,000
Birlik İktisadi İşletmesi	İstanbul/Turkey	% 100	105,000	100%	105,000
JCR Avrasya Derecelendirme A.Ş.(*)	İstanbul/Turkey	%6	5,788,186	--	--
Birleşik İpotek Finansmanı A.Ş.(**)	İstanbul/Turkey	%5	2,500,000	--	--
<b>Total</b>			<b>8,593,186</b>		<b>305,000</b>

(\*) 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.

### 10. TRADE PAYABLES

	31 December 2020	31 December 2019
Trade payables to third parties (*)	181,340	81,916
<b>Total</b>	<b>181,340</b>	<b>81,916</b>

(\*) Trade payables consist of the technical services, advertisement, corporate communication, etc. The average maturity of the trade payables to related parties is less than 30 days.

# FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

### 11. 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:

	<b>31 December 2020</b>	<b>31 December 2019</b>
Discount rate	3.74%	4.47%
Inflation rate	9.50%	7.50%

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

	<b>2020</b>	<b>2019</b>
Opening balance (1 January)	260,840	216,378
Interest cost	27,691	32,641
Service cost	46,351	65,869
Actuarial loss/gain	(26,913)	(54,048)
<b>Closing balance, 31 December</b>	<b>307,969</b>	<b>260,840</b>

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

	<b>31 December 2020</b>	<b>31 December 2019</b>
Provision for unused vacation liability	263.255	134.866
	<b>263.255</b>	<b>134.866</b>

# FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

### 11. EMPLOYEE BENEFITS (continued)

*Provision for severance pay (continued)*

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)	134,866	145,713
Provision allocated during the period	128,389	-
Provision for unused vacation liability (cancelled)	-	(10,847)
<b>Closing balance, 31 December</b>	<b>263,255</b>	<b>134,866</b>

### 12. PAYABLES RELATED TO EMPLOYEE BENEFITS

As at 31 December 2020 and 2019, payables related to employee benefits are as following:

	31 December 2020	31 December 2019
Social security premiums	97,679	88,403
Income tax payable	344,251	283,847
	<b>441,930</b>	<b>372,250</b>

### 13. OTHER CURRENT LIABILITIES

	31 December 2020	31 December 2019
Reverse charge VAT	16,485	7,952
Personnel expenses	149	3,036
Other liabilities	37,494	1,748
<b>Total</b>	<b>54,128</b>	<b>12,736</b>

### 14. 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).

### 15. SALES

The revenues of the Association consist of cost share and entrance fees. The details of the income for the years ended 31 December 2020 and 31 December 2019 are as follows:

	1 January - 31 December 2020	1 January - 31 December 2019
Association participation share costs	7,001,667	5,656,251
Additional participation share costs	2,006,099	5,727,420
Financing company participations share costs	1,175,000	1,204,000
Financial leasing participations share cost	1,322,500	1,041,666
Factoring sector participation share cost	1,104,667	1,512,666
Association entrance fee	--	160,000
<b>Total</b>	<b>12,609,933</b>	<b>15,302,003</b>

# FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

### 16. GENERAL ADMINISTRATIVE EXPENSES

	1 January - 31 December 2020	1 January - 31 December 2019
Personnel expenses	6,678,012	6,270,694
Depreciation and amortization charges	1,324,799	213,419
Consultancy and audit expenses	627,103	506,186
Donation expense (*)	500,300	30,631
Outsourced benefits and services	368,320	342,727
General office expenses	230,245	210,877
Membership fee expenses (**)	137,993	108,151
Conference and organization expenses	122,811	264,447
Banks’ withholding deductions	116,615	180,775
Promotion and advertising expenses	86,024	158,729
Representation and hospitality expenses	70,068	119,591
Travel expenses	11,786	380,280
Sponsorships (***)	--	354,000
Lease expenses	--	1,466,370
Other expenses	26,477	34,494
<b>Total</b>	<b>10,300,553</b>	<b>10,641,371</b>

(\*) The amount paid for the National Solidarity Donation Campaign initiated by the Presidency at the beginning of the pandemic

(\*\*) Membership fees of Leaseurope and Eurofinas, which are international sectoral organizations.

(\*\*\*) Presidential Finance Office Financial Perception Survey

Personnel expenses of the Association for the years ended 2020 and 2019 are detailed as the following:

	1 January - 31 December 2020	1 January - 31 December 2019
Salaries, taxes, and social insurance	5,885,334	5,681,156
Vehicle leases and fuel expenses	494,271	416,726
Provision for severance	92,180	81,567
Food expenses	171,532	58,336
Other expenses	34,695	32,909
<b>Personnel expenses total</b>	<b>6,678,012</b>	<b>6,270,694</b>

### 17. OTHER INCOME FROM OPERATING ACTIVITIES

As of 31 December 2020, the amount of file expenses amounting to TL 8,346 consist of 4,477 TL for incapacity allowance and 3,869 TL for other items in the other income account. (31 December 2019, the amount of file expenses amounting to TL 44,700 consist of 13,026 TL for incapacity allowance, 29,952 TL for mobile phone assignment from Turkcell, 1,050 TL for Social Security Institution discount and 672 TL for other items in the other income account.)

### 18. OTHER EXPENSES FROM OPERATING ACTIVITIES

As of 31 December 2020, other expenses account has a balance of TL 92,263 (Analiz Factoring & Atak Factoring sector participation share cost) in the other expenses account. (31 December 2019: TL 88,917 (Analiz Factoring & Atak Factoring sector participation share cost ) in the other expenses account. There are non-deductible expenses and rounding difference balances of 32 TL).

# FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ

## NOTES TO THE UNCONSOLIDATED FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

### 19. FINANCIAL INCOME / EXPENSE

	1 January - 31 December 2020	1 January - 31 December 2019
<b>Financial income</b>		
Interest income (*)	995,580	1,215,160
<b>Total</b>	<b>995,580</b>	<b>1,215,160</b>
	1 January - 31 December 2020	1 January - 31 December 2019
<b>Financial expense</b>		
Interest expense for lease liabilities	614,528	--
Interest expenses	65,265	--
F/X Profit / Loss (net)	8,815	32,602
<b>Total</b>	<b>688,608</b>	<b>32,602</b>

(\*) Banks' withholding deductions amounting to TL 116,615 TL are reflected in General Administrative Expenses as interest income is placed in gross records (31 December 2019: TL 180,775 TL). As of 31 December 2020; Foreign exchange profit amounting to TL 6,444 is included here (31 December 2019: TL 32,009).

### 20. RELATED PARTY TRANSACTIONS

As of 31 December 2020 and 31 December 2019, the Association has no related party receivables.

As of 31 December 2020, there is no dividend distribution. (31 December 2019 : None ).

As of 31 December 2020 and 31 December 2019, the Association has no compensations to key management personnel.

As of 31 December 2020 and 31 December 2019, the Association has no related party transactions for the ended years.

### 21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT

#### Risk management objectives and principles

The Association'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 Association's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Association.

#### 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. Association Management front these risks by limiting the aggregate risk to any individual counterparty and also in case, by obtaining collaterals Association's collection risk arises mainly from receivables from members.

**FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ**

**NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020**

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

**21. FINANCIAL INSTRUMENTS AND FINANCIAL RISK MANAGEMENT (Continued)**

<b>As of 31 December 2020</b>	<b>Other Receivables</b>	<b>Trade Receivables</b>	<b>Deposits at Banks</b>	<b>Financial Investments</b>
Maximum exposure to credit risk at the reporting date (A+B+C+D+E) (1)	--	197,927	8,154,672	--
- 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	--	197,927	8,154,672	--
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)	--	607,593	--	--
- Impairment (-)	--	(607,593)	--	--
- 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	--	--	--	--
<b>As of 31 December 2019</b>	<b>Other Receivables</b>	<b>Trade Receivables</b>	<b>Deposits at Banks</b>	<b>Financial Investments</b>
Maximum exposure to credit risk at the reporting date (A+B+C+D+E) (1)	--	310,720	13,053,545	--
- 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	--	310,720	13,053,545	--
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)	--	452,663	--	--
- Impairment (-)	--	(452,663)	--	--
- 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	--	--	--	--

# FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ

## NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS AS OF 31 DECEMBER 2020

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

### 21. 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 Association's distribution of non-derivative financial liabilities' maturity profile as of 31 December 2020 and 31 December 2019:

#### 31 December 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)
<b>Non-derivative financial liabilities</b>					
Financial lease liabilities	3,617,629	4,485,151	373,762	1,121,288	2,990,101
Trade payables	181,340	181,340	181,340	--	--
<b>Total</b>	<b>3,798,969</b>	<b>4,666,491</b>	<b>555,102</b>	<b>1,121,288</b>	<b>2,990,101</b>

#### 31 December 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)
<b>Non-derivative financial liabilities</b>					
Trade payables	81,916	81,916	81,916	--	--
<b>Total</b>	<b>81,916</b>	<b>81,916</b>	<b>81,916</b>	<b>--</b>	<b>--</b>

#### Interest rate risk

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

#### Foreign currency risk

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

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



# FİNANSAL KİRALAMA FAKTORİNG VE FİNANSMAN ŞİRKETLERİ BİRLİĞİ

## NOTES TO THE INDIVIDUAL FINANCIAL STATEMENTS

### AS OF 31 DECEMBER 2020

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

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#### 21. 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.

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

The consolidated financial statements of the Association as of 31 December 2020 in accordance with TFRS have been prepared and audited. In our audit report dated 31 March 2021, we presented unqualified opinion on these financial statements. The accompanying separate financial statements of special purpose should be examined together with the consolidated financial statements of the Association as of 31 December 2020, regarding obtaining comprehensive information on the financial condition, cash flows and financial performance of the Association in the same year ended.