**YATIRIM FİNANSAL KİRALAMA ANONİM ŞİRKETİ**

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2008

# Deloitte.

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## INDEPENDENT AUDITORS REPORT

To the Board of Directors of
Yatırım Finansal Kiralama Anonoim Şirketi

**Report on the Financial Statements**

We have audited the accompanying financial statements of Yatırım Finansal Kiralama A.Ş. (the "Company"), which comprise the balance sheet as at 31 December 2008, and the statement of income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Deloitte.

**Opinion**

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

İstanbul, 14 April 2009

DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU**

# YATIRIM FİNANSAL KİRALAMA A.Ş.

BALANCE SHEET AS AT 31 DECEMBER 2008

(Amounts expressed in Turkish Lira ("TL"))

**ASSETS**

| | Notes | 31 December 2008 | 31 December 2007 |
|---|---|---|---|
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 5 | 3,202,335 | 3,195,493 |
| Finance lease receivables | 6 | 21,392,896 | 21,984,477 |
| - Due from non-related parties | | 20,145,356 | 21,687,776 |
| - Due from related parties | 7 | 1,247,540 | 296,701 |
| Other receivables and current assets | 8 | 1,876,834 | 1,173,662 |
| Assets classified as held for sale | 9 | 2,122,475 | - |
| **Total Current Assets** | | 28,594,540 | 26,353,632 |
| **NON CURRENT ASSETS** | | | |
| Finance lease receivables | 6 | 27,998,380 | 17,762,687 |
| - Due from non-related parties | | 25,774,274 | 17,530,033 |
| - Due from related parties | 7 | 2,224,106 | 232,654 |
| Property, plant and equipment | 10 | 61,840 | 248,100 |
| Intangible assets | 11 | 11,320 | 22,315 |
| Deferred tax asset | 17 | 80,191 | |
| **Total Non-Current Assets** | | 28,151,731 | 18,033,102 |
| **TOTAL ASSETS** | | **56,746,271** | **44,386,734** |

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

## YATIRIM FİNANSAL KİRALAMA A.Ş.

BALANCE SHEET AS AT 31 DECEMBER 2008

(Amounts expressed in Turkish Lira ("TL"))

**LIABILITIES AND EQUITY**

| | Notes | 31 December 2008 | 31 December 2007 |
|---|---|---|---|
| **CURRENT LIABILITIES** | | | |
| Trade payables | 13 | 32,498 | 1,016,864 |
| Borrowings | 12 | 42,294,218 | 26,893,392 |
| Provisions | 15 | 19,390 | 23,994 |
| Other payables and expense accruals | 14 | 1,892,421 | 654,462 |
| - Due to related parties | 7 | 434,830 | 543,820 |
| - Other payables and expense accruals | | 1,457,591 | 110,642 |
| **Total Current Liabilities** | | 44,238,527 | 28,588,712 |
| **NON CURRENT LIABILITIES** | | | |
| Borrowings | 12 | 3,547,525 | 7,946,460 |
| Provision for employment termination benefits | 16 | 7,309 | 9,847 |
| **Total Non-Current Liabilities** | | 3,554,834 | 7,956,307 |
| **EQUITY** | | | |
| Share capital | 19 | 14,376,852 | 14,376,852 |
| Legal reserves | | 96,168 | 96,168 |
| Accumulated deficit | | (5,520,110) | (6,631,305) |
| **Total Equity** | | 8,952,910 | 7,841,715 |
| **TOTAL LIABILITIES AND EQUITY** | | **56,746,271** | **44,386,734** |

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

# YATIRIM FİNANSAL KİRALAMA A.Ş.

STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2008

(Amounts expressed in Turkish Lira ("TL"))

| | Notes | 1 January-31 December 2008 | 1 January-31 December 2007 |
|---|---|---|---|
| Interest income on finance leases | | 5,915,077 | 5,379,706 |
| Other interest income | | - | 30,239 |
| Interest expense | | (2,649,471) | (1,911,507) |
| Foreign exchange gains/(losses) | | 968,809 | (1,124,603) |
| Personnel expenses | | (1,624,103) | (1,668,774) |
| Legal and administrative lease transactions | | (582,722) | (555,869) |
| Other operating expenses | 20 | (850,009) | (806,844) |
| Other (expense) / income | | (146,577) | 196,323 |
| **Profit / (loss) before taxation** | | **1,031,004** | **(461,329)** |
| Income tax benefit / (expense) | 17 | 80,191 | - |
| **Net profit / (loss) for the year** | | **1,111,195** | **(461,329)** |

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

**YATIRIM FİNANSAL KİRALAMA A.Ş.**

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2008

(Amounts expressed in Turkish Lira ("TL") )

| | Capital | Legal Reserves | Accumulated Deficit | Total Equity |
|---|---|---|---|---|
| Balance as of 1 January 2007 | 14,376,852 | 96,168 | (6,169,976) | 8,303,044 |
| Net loss for the year | - | - | (461,329) | (461,329) |
| Balance as of 31 December 2007 | 14,376,852 | 96,168 | (6,631,305) | 7,841,715 |
| Net profit for the year | - | - | 1,111,195 | 1,111,195 |
| Balance as of 31 December 2008 | 14,376,852 | 96,168 | (5,520,110) | 8,952,910 |

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

## YATIRIM FİNANSAL KİRALAMA A.Ş.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2008

(Amounts expressed in Turkish Lira ("TL"))

| | Notes | 1 January-31 December 2008 | 1 January-31 December 2007 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit/(loss) for the year | | 1,111,195 | (461,329) |
| Income tax (benefit) / expense recognised in profit or loss | | (80,191) | - |
| Finance costs recognised in profit or loss (net) | | 2,649,471 | 1,881,268 |
| Loss on sale or disposal of property, plant and equipment | | (43,616) | - |
| Provision for doubtful receivables | 6 | 329,200 | - |
| Impairment for assets held fo sale | | 73,583 | |
| Depreciation and amortisation of non-current assets | | 137,441 | 148,879 |
| Unrealized foreign exchange loss / (gain) | | 9,651,649 | (2,852,642) |
| | | **13,828,732** | **(1,283,824)** |
| **Movements in working capital** | | | |
| Increase in trade receivables | | (9,973,312) | (4,065,245) |
| (Increase) / decrease in assets held for sale | | (2,196,058) | - |
| (Increase)/ decrease in other receivables and other assets | | (703,172) | 1,205,922 |
| Decrease in trade payables | | (984,366) | (1,819,454) |
| Increase in provision of employment termination benefits | 16 | 16,989 | 4,634 |
| Increase in other payables, expense accruals and provisions | | 1,233,355 | 48,131 |
| **Cash generated from / (used in) operations** | | **1,222,168** | **(5,909,836)** |
| Interest paid | | (2,644,887) | (1,724,595) |
| Interest received | | 177,648 | 30,239 |
| Termination benefits paid | 16 | (19,527) | - |
| **Net cash generated by/ (used in) operating activities** | | **(1,264,598)** | **(7,604,192)** |
| **Cash flows from investing activities** | | | |
| Payments for property, plant and equipment | 10 | (2,209) | (6,730) |
| Proceeds from disposal of property, plant and equipment | | 106,051 | - |
| Payments for intangible assets | 11 | (412) | - |
| **Net cash generated by / (used in) investing activities** | | **103,430** | **(6,730)** |
| **Cash flows from financing activities** | | | |
| Proceeds from borrowings | | 44,459,950 | 36,234,693 |
| Repayment of borrowings | | (43,291,940) | (28,823,156) |
| **Net cash (used in) / generated by financing activities** | | **1,168,010** | **7,411,537** |
| **Net increase/(decrease) in cash and cash equivalents** | | **6,842** | **(199,385)** |
| **Cash and cash equivalents at the beginning of year** | | **3,195,493** | **3,394,878** |
| **Cash and cash equivalents at the end of year** | | **3,202,335** | **3,195,493** |

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

(Amounts expressed in Turkish Lira ("TL"))

1. GENERAL INFORMATION

Yatırım Finansal Kiralama A.Ş. ("the Company") is incorporated in Istanbul, Turkey. The address of its registered office and principal place of business is Nurol Maslak Plaza A Blok Büyükdere Cad. No:71 K:16 Maslak – İSTANBUL.

The Company is currently organized into one operating division – financial leasing and principal activities of the Company is financial Leasing – leasing of equipments and property rental.

The number of employees as of 31 December 2008 is 24 (31 December 2007: 24).

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("the IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2008.

Standards, amendments and interpretations effective in 2008 but not relevant

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2008 but they are not relevant to the Company's operations:

IFRIC 11, "IFRS 2 – Company and treasury share transactions",
IFRIC 12, "Service concession arrangements",
IFRIC 14, "IAS 19- The limit on a defined benefit asset, minimum funding requirements and their interaction",

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

| | |
|---|---|
| • IFRS 8, "Operating segments" | Effective for annual periods beginning on or after 1 January 2009 |
| • IFRIC 13, "Customer loyalty programmes" | Effective for annual periods beginning on or after 1 July 2008 |
| • IFRIC 15, "Agreements for the construction of real estate" | Effective for annual periods beginning on or after 1 January 2009 |
| • IFRIC 16, "Hedges of a net investment in a foreign operation" | Effective for annual periods beginning on or after 1 October 2008 |

(Amounts expressed in Turkish Lira ("TL"))

2. ADOPTION OF NEW AND REVISED STANDARDS (cont'd)

| | |
|---|---|
| • IFRS 2, "Share-based Payment" Amendment relating to vesting conditions and cancellations | Effective for annual periods beginning on or after 1 January 2009 |
| • IFRS 1, "First-time Adoption of International Financial Reporting Standards — Amendment relating to cost of an investment on first-time adoption" | Effective for annual periods beginning on or after 1 January 2009 |
| • IFRS 3, "Business Combinations"<br>• IAS 27, "Consolidated and Separate Financial Statements"<br>• IAS 28, "Investments in Associates"<br>• IAS 31 "Interests in Joint Ventures" Comprehensive revision on applying the acquisition method | Effective for annual periods beginning on or after 1 July 2009 |
| • IAS 23, "(Amendment) Borrowing costs" Comprehensive revision to prohibit immediate expensing | Effective for annual periods beginning on or after 1 January 2009 |
| • IAS 27, "Consolidated and Separate Financial Statements" Amendment relating to cost of an investment on first-time adoption | Effective for annual periods beginning on or after 1 January 2009 |
| • IAS 1, "Presentation of Financial Statements"<br>• IAS 32, "Financial Instruments: Presentation" Amendments relating to disclosure of puttable instruments and obligations arising on liquidation | Effective for annual periods beginning on or after 1 January 2009 |
| • IAS 1, "Presentation of Financial Statements" Comprehensive revision including requiring a statement of comprehensive income | Effective for annual periods beginning on or after 1 January 2009 |
| • IAS 39, "Financial Instruments: Recognition and Measurement" Amendments for eligible hedged items | Effective for annual periods beginning on or after 1 January 2009 |

The Company's management anticipates that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

## 3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance:

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS").

Basis of preparation:

The financial statements have been prepared on the historical cost basis.

Basis of presentation of financial statements:

The Company maintains its books of account and prepares its statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and tax legislation. The accompanying financial statements are based on the statutory records, with adjustments and reclassifications, including restatement for the changes in the general purchasing power of the Turkish Lira in accordance with International Accounting Standard No. 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29") until 1 January 2006, for the purpose of fair presentation in accordance with IFRS. Certain amounts in the prior year financial statements have been reclassified to conform to the current year presentation with no impact on previously reported net loss or shareholders' equity

Inflation accounting:

The financial statements of the Company for the periods before 1 January 2006 were adjusted to compensate for the effect of changes in the general purchasing power of the Turkish Lira based on IAS 29. Turkish Economy is accepted to come off its highly inflationary status as of 1 January 2006. Based on this consideration, IAS 29 has not been applied in the preparation of the financial statements since 1 January 2006. Amounts expressed in the measuring unit current at 31 December 2005 were treated as the basis for the carrying amounts after 1 January 2006.

Revenue recognition

*Leasing Receivables*

The initial value at the beginning of the leasing period of the assets that are subject to leasing under the Leasing Law are represented as leasing receivables in the balance sheet. Financial revenues that are the spread between the total leasing receivables and the real value of the assets subject to leasing are recorded in the related period with the receivables of each accounting period distributed over the related period via the fixed interest rate throughout the duration of the leasing agreement.

*Interest revenue*

Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses. Land is not depreciated and carried at cost less accumulated impairment.

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

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

Intangible assets

*Intangible assets acquired separately*

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. 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.

*Computer software*

Computer softwares purchased, are capitalized over costs accumulated between the date of purchase and the date for the asset ready to be used. These costs are amortised over their useful lifes (5-10 years).

Assets classified as held for sale

Assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. These assets are individual non-current assets.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

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

Taxation and deferred income taxes

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

*Current tax*

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

*Deferred tax*

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Taxation and deferred income taxes (cont'd)

*Deferred tax* (cont'd)

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

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

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

*Current and deferred tax for the period*

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Retirement pay provision

Under Turkish Law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19"). The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation.

Foreign currency transactions

The financial statements is presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company is expressed in TL, which is the functional currency of the Company, for the financial statements.

In preparing the financial statements of the Company, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Leasing - the Company as lessor

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

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Company's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Financial assets

Investments are recognised and derecognised on a trade date where the purchase or sale of an investments under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, net of transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets as 'at fair value through profit or loss' (FVTPL), 'held-to-maturity investments', 'available-for-sale' (AFS) financial assets and 'loans and receivables'.

*Loans and receivables*

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less any impairment.

*Impairment of financial assets*

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of finance lease receivables where the carrying amount is reduced through the use of an allowance account. When a finance lease receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets (cont'd)

*Impairment of financial assets (cont'd)*

With the exception of AFS equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

In respect of AFS equity securities, any increase in fair value subsequent to an impairment loss is recognised directly in equity.

*Cash and cash equivalents*

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities

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

*Other financial liabilities*

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Provisions

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Provisions (cont'd)

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

Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

Finance lease receivables and other receivables

Finance lease receivables and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the possible collection amount. The possible collection amount is the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The Company's management considers that the carrying amount of finance lease and other receivables approximates their fair value.

*Provisions for finance lease losses*

If Company has objective evidence regarding the uncollectibility of the receivables that are subject of a finance lease agreement, these receivables are considered to be impaired in value, and classified as "doubtful finance lease receivables". The impairment, if receivables are backed with guarantees that can be converted to cash, is estimated as the difference between the book value of the receivable and fair value of the guarantees obtained, or calculated as the difference between the discounted future cash flows using effective interest rate, and receivables' current book value.

With the provision for impairment journalised, the book value of finance lease receivables are reduced to their net realisable values. Finance lease receivables are written off, if uncollectibility of aggregate, or a portion of the balance emerges. The write off of receivable is performed with the clearance of principal of finance lease receivables and associated provisions journalised previously, from accounts. Once a finance lease receivable, previously written off is collected, the collected amount is recognised as revenue.

If a decrease is noted on the previously journalised impairment, the impairment is reduced by the amount of the decrease noted, with a reverse journalisation, and remaining provision for impairment is scrutinized for convenience.

4. DIVIDENDS

Company has not distributed dividends in the current year.

## 5. CASH AND CASH EQUIVALENTS

| | 31 December 2008 | 31 December 2007 |
|---|---|---|
| Cash on hand | 910 | 740 |
| Demand deposits | 257,903 | 325,737 |
| Time deposits | 2,943,522 | 2,867,568 |
| Other | - | 1,448 |
| | 3,202,335 | 3,195,493 |

The details of time deposits as at 31 December 2008 and 2007 are as follows:

| Currency Type | Currency Amount | Maturity | 31 December 2008 |
|---|---|---|---|
| TL | 62,585 | 02.01.2009 | 62,585 |
| EURO | 649,479 | 13.01.2009 | 1,390,405 |
| USD | 985,606 | 13.01.2009 | 1,490,532 |
| | | | 2,943,522 |

| Currency Type | Currency Amount | Maturity | 31 December 2007 |
|---|---|---|---|
| TL | 95,410 | 02.01.2008 | 95,410 |
| EURO | 841,735 | 02.01.2008 | 1,439,536 |
| USD | 1,144,176 | 02.01.2008 | 1,332,622 |
| | | | 2,867,568 |

Interest rate for time deposit denominated in EUR is 5.25 % ; denominated in USD is 4.50 % and denominated in TL is 15.51% (31 December 2007: EUR: 4.75% , USD: 4.60% , TL: 15.75%)

(Amounts expressed in Turkish Lira ("TL"))

## 6. FINANCE LEASE RECEIVABLES

| 31 December 2008 | Short Term | Long Term | Total |
|---|---|---|---|
| Invoiced finance lease receivables | 9,373,405 | - | 9,373,405 |
| Invoiced finance lease dues from related parties (note 7) | 1,247,540 | - | 1,247,540 |
| Uninvoiced finance lease receivables | 15,773,532 | 29,176,197 | 44,949,729 |
| Uninvoiced finance lease dues from related parties (note 7) | - | 2,224,106 | 2,224,106 |
| Less: Unearned interest income | (4,672,381) | (3,401,923) | (8,074,304) |
| Less: Allowance for doubtful receivables | (329,200) | - | (329,200) |
| Net finance lease receivables | 21,392,896 | 27,998,380 | 49,391,276 |

| 31 December 2007 | Short Term | Long Term | Total |
|---|---|---|---|
| Invoiced finance lease receivables | 1,614,490 | - | 1,614,490 |
| Invoiced finance lease dues from related parties (see note 7) | 296,701 | - | 296,701 |
| Uninvoiced finance lease receivables | 23,676,959 | 19,794,916 | 43,471,875 |
| Uninvoiced finance lease dues from related parties (see note 7) | - | 232,654 | 232,654 |
| Less: Unearned interest income | (3,603,673) | (2,264,883) | (5,868,556) |
| Net finance lease receivables | 21,984,477 | 17,762,687 | 39,747,164 |

The allocation of finance lease receivables according to their maturities as of 31 December 2008 is as follows:

| | 2009 | 2010 | 2011 | 2012 | 2013 | Total |
|---|---|---|---|---|---|---|
| Financial lease receivables | 26,065,277 | 19,304,013 | 8,892,626 | 2,972,547 | 231,117 | 57,465,580 |
| Unearned interest | (4,672,381) | (2,273,029) | (908,269) | (204,573) | (16,052) | (8,074,304) |
| Finance lease receivables (net) | 21,392,896 | 17,030,984 | 7,984,357 | 2,767,974 | 215,065 | 49,391,276 |

The allocation of finance lease receivables according to their maturities as of 31 December 2007 is as follows:

| | 2008 | 2009 | 2010 | 2011 | 2012 | Total |
|---|---|---|---|---|---|---|
| Finance lease receivables | 25,588,150 | 12,354,159 | 5,931,425 | 1,693,869 | 48,117 | 45,615,720 |
| Unearned interest | (3,603,673) | (1,578,086) | (540,928) | (143,637) | (2,232) | (5,868,556) |
| Finance lease receivables (net) | 21,984,477 | 10,776,073 | 5,390,497 | 1,550,232 | 45,885 | 39,747,164 |

(Amounts expressed in Turkish Lira ("TL"))

6. FINANCE LEASE RECEIVABLES (cont'd)

As of 31 December 2008, the average nominal interest rate that applies for finance lease receivables is; 30.15% for TL, 12.62% for USD, and 11.76% for EURO (31 December 2007: 31.29% for TL, 12.81% for USD and 11.70% for EURO).

As of 31 December 2008, the distribution of finance lease receivables according to foreign currency type is as follows:

| Currency | Principal in original currency | Principle in TL | Unearned interest in original currency | Unearned interest in TL |
|---|---|---|---|---|
| USD | 9,870,981 | 14,927,884 | (1,585,361) | (2,397,541) |
| EURO | 15,012,432 | 32,138,614 | (2,377,271) | (5,089,262) |
| TL | 2,324,778 | 2,324,778 | (587,501) | (587,501) |
| Total | | 49,391,276 | | (8,074,304) |

As of 31 December 2007, the distribution of finance lease receivables according to foreign currency type is as follows:

| Currency | Principal in original currency | Principle in TL | Unearned interest in original currency | Unearned interest |
|---|---|---|---|---|
| USD | 7,443,695 | 8,669,671 | (1,265,290) | (1,473,683) |
| EURO | 17,673,234 | 30,224,765 | (2,513,000) | (4,297,732) |
| TL | 852,728 | 852,728 | (97,141) | (97,141) |
| Total | | 39,747,164 | | (5,868,556) |

All finance lease receivables as of 31 December 2008 and 31 December 2007 have fixed interest rate.

(Amounts expressed in Turkish Lira ("TL"))

6. FINANCE LEASE RECEIVABLES (cont'd)

The Company's guarantees for all finance lease receivables are as follows:

| Guarantee type : | 31 December 2008 | 31 December 2007 |
|---|---|---|
| Mortgages | 33,216,343 | 23,318,749 |
| Notes in portfolio | 8,973,972 | 9,288,815 |
| Buy back guarantees | 921,329 | 1,458,842 |
| Pledges of vehicles | 691,262 | 635,550 |
| Pledges of machines | 358,799 | 474,335 |
| Pledges of assets | 74,946 | 216,543 |
| Letters of guarantee | 88,820 | 93,786 |
| Cheques in portfolio | - | 137,961 |
| | 44,325,471 | 35,624,581 |

Amounts of guarantees above are presented as the lesser of receivable balance or guarantee amount.

As of balance sheet date, the Company's finance lease receivables which are overdue less than 150 days is amounting to TL 2,242,038 (31 December 2007: TL 779,468). The Company does not recognize allowance considering the fact that there is no substantial risk regarding the recoverability of such finance lease receivables. The portion not due as of 31 December 2008 for these receivables is TL 24,825,135 (31 December 2007: TL 15,091,542)

| Aging of past due but not impaired receivables | 31 December 2008 | 31 December 2007 |
|---|---|---|
| Up to 30 days | 926,200 | 203,946 |
| Between 30 – 60 days | 585,298 | 291,753 |
| Between 60 – 90 days | 260,207 | 283,769 |
| Between 90 – 150 days | 470,333 | - |
| Portion not due as of balance sheet date | 24,825,135 | 15,091,542 |
| | 27,067,173 | 15,871,010 |

The details of guarantees received for the overdue receivables are as follows:

| | 31 December 2008 |
|---|---|
| Mortgages | 19,854,915 |
| Notes in portfolio | 5,614,116 |
| Pledges of vehicles | 569,003 |
| Buy back guarantees | 494,618 |
| Pledges of machines | 269,100 |
| Pledges of assets | 35,212 |
| Letters of guarantee | 88,820 |
| Cheques in portfolio | - |
| | 26,925,784 |

(Amounts expressed in Turkish Lira ("TL"))

6. FINANCE LEASE RECEIVABLES (cont'd)

In determining the recoverability of the finance lease receivables, the Company considers any change in the credit quality of receivables from the date credit was initially granted up to the reporting date. The concentration of credit risk is limited due to working with a variety of customers. Accordingly, the Company management believes that there is no further credit allowance need in excess of the allowance for doubtful receivables in the accompanying financial statements.

The provision for doubtful receivables is provided based on estimated irrecoverable amounts. The movement of provision for allowance of doubtful finance lease receivables as of 31 December 2008 and 31 December 2007 is as follows:

| | 1 January-31 December 2008 | 1 January-31 December 2007 |
|---|---|---|
| Balance at beginning of the year | - | 33,129 |
| Period charge | 329,200 | - |
| Amounts recovered during the year | - | (33,129) |
| Balance at the end of the year | 329,200 | - |

The aging of the doubtful receivables as of 31 December 2008 and 2007 is as follows:

| | 31 December 2008 | 31 December 2007 |
|---|---|---|
| Between 150 – 240 days | 1,738,584 | - |
| Between 240 – 360 days | 781,678 | - |
| 360 days and above | 464,581 | - |
| Portion not due as of balance sheet date | 5,256,293 | - |
| Less: Unearned interest income | (922,245) | - |
| | 7,318,891 | - |

Guarantees obtained against doubtful receivables:

| | 31 December 2008 | 31 December 2007 |
|---|---|---|
| Mortgages | 4,159,381 | - |
| Pledges of machines | 564,231 | - |
| Buy back guarantees | 342,959 | - |
| Notes in portfolio | 68,450 | - |
| Pledges of assets | 2,700 | - |
| | 5,137,721 | - |

(Amounts expressed in Turkish Lira ("TL"))

## 7. RELATED PARTY TRANSACTIONS

The immediate parent and ultimate controlling party of the Company is TE Holding A.Ş.

Details of transactions between the Company and related parties of the Company are disclosed below:

| Lease contract receivables from related parties | 31 December 2008 | 31 December 2007 |
|---|---|---|
| Tec Tekstil Dokuma Baskı A.Ş. | 1,580,172 | 161,362 |
| Tetaş Tekstil İmalat A.Ş. | 1,182,870 | 329,535 |
| Tepaş Tekstil Pazarlama A.Ş | 398,082 | - |
| Temat Kırtasiye Büro Ekipmanları Teks. San. ve Tic A.Ş. | 273,912 | - |
| Tesan Tekstil Makineleri San. ve Tic. A.Ş. | 26,428 | - |
| Strateji Factoring Hizmetleri A.Ş. | 8,878 | 342 |
| Tek Örme San. ve Tic. A.Ş. | 749 | - |
| Venüs Giyim San. ve Tic. A.Ş. | 321 | - |
| Tet Tekstil Etiket Ambalaj Matbaacılık A.Ş. | 234 | 38,116 |
| | 3,471,646 | 529,355 |

The lease receivables from related parties are included in trade receivables in accompanying financial statements.

| Amounts payable to related parties | 31 December 2008 | 31 December 2007 |
|---|---|---|
| Tetaş Tekstil İmalat A.Ş. (*) | 2,909,204 | 334,381 |
| Tet Sigorta Aracılık Hizmetleri A.Ş. | 200,043 | 183,986 |
| Tec Tekstil Dokuma Baskı A.Ş. | 4,531 | 25,193 |
| Tek Örme San. ve Tic. A.Ş. | 324 | - |
| Tet Tekstil Etiket Ambalaj Matbaacılık A.Ş. | 156 | 258 |
| Strateji Factoring Hizmetleri A.Ş. | - | 2 |
| | 3,114,258 | 543,820 |

(*) The TL 2,679,478 (EUR 1,251,625) of the balance is corresponding to payables arising from loans received from Tetaş Tekstil İmalat A.Ş. The interest rate on the loan is 5.90% and the maturity is March 27, 2009. The remaining balance of TL 434,780 is presented in Other Payables and Expense Accruals.

(Amounts expressed in Turkish Lira ("TL"))

7. RELATED PARTY TRANSACTIONS (cont'd)

| Lease income from related parties | 1 January-<br>31 December<br>2008 | 1 January-<br>31 December<br>2007 |
|---|---|---|
| Tetaş Tekstil İmalat A.Ş. | 61,469 | 4,983 |
| Tec Tekstil Dokuma Baskı Matbaa Etiket San. ve Tic. A.Ş. | 50,347 | 9,414 |
| Temat Kırtasiye Büro Ekipmanları Teks. San. ve Tic. A.Ş. | 12,636 | - |
| Tepaş Tekstil Pazarlama A.Ş. | 11,054 | - |
| Tet Tekstil Etiket Ambalaj Matbaacılık A.Ş. | 4,967 | 6,973 |
| Tesan Tekstil Makineleri San. ve Tic. A.Ş. | 1,673 | - |
| Tek Örme San. ve Tic. A.Ş. | 304 | 273 |
| | 142,450 | 21,643 |

| Other income (rent income) from related parties | | |
|---|---|---|
| Strateji Factoring Hizmetleri A.Ş. | 144,506 | 77,823 |

| Services received from related parties | | |
|---|---|---|
| Tet Sigorta Aracılık Hizmetleri A.Ş. | 1,195,294 | 1,002,253 |

| The remuneration of directors and other members of key management | | |
|---|---|---|
| Short-term benefits | 422,081 | 535,650 |

(Amounts expressed in Turkish Lira ("TL"))

## 8. OTHER RECEIVABLES AND CURRENT ASSETS

| | 31 December 2008 | 31 December 2007 |
|---|---|---|
| VAT deductible | 1,834,537 | 570,869 |
| Advances given | 22,645 | 410,797 |
| Prepaid expenses | 16,847 | 39,966 |
| Prepaid taxes and dues | 2,577 | 340 |
| Advances given to personnel | 200 | 200 |
| Other current assets | 28 | 56 |
| Assets to be leased | - | 151,434 |
| | 1,876,834 | 1,173,662 |

## 9. ASSETS CLASSIFIED AS HELD FOR SALE

| | 31 December 2008 | 31 December 2007 |
|---|---|---|
| Assets held for sale | 2,196,058 | - |
| Impairment for assets held for sale (-) | (73,583) | |
| | 2,122,475 | - |

The balance consists of buildings and various vehicles included in the Company's assets incurred as a result of the legal proceedings of receivables under pursuit.

(Amounts expressed in Turkish Lira ("TL"))

## 10. PROPERTY, PLANT AND EQUIPMENT

| | Buildings | Vehicles | Furniture and fixtures | Leasehold improvements | Total |
|---|---|---|---|---|---|
| Cost or valuation | | | | | |
| Opening balance, 1 January 2007 | 40,935 | 289,819 | 264,554 | 100,787 | 696,095 |
| Additions | - | - | 6,730 | - | 6,730 |
| Closing balance, 31 December 2007 | 40,935 | 289,819 | 271,284 | 100,787 | 702,825 |
| Additions | - | - | 2,209 | - | 2,209 |
| Disposals | (40,935) | (108,366) | - | - | (149,301) |
| Closing balance, 31 December 2008 | - | 181,453 | 273,493 | 100,787 | 555,733 |
| Accumulated depreciation | | | | | |
| Opening balance,1 January 2007 | 205 | 136,382 | 127,067 | 53,554 | 317,208 |
| Depreciation charge for the year | 819 | 62,493 | 54,048 | 20,157 | 137,517 |
| Closing balance, 31 December 2007 | 1,024 | 198,875 | 181,115 | 73,711 | 454,725 |
| Depreciation charge for the year | 409 | 50,488 | 54,980 | 20,157 | 126,034 |
| Disposals | (1,433) | (85,433) | - | - | (86,866) |
| Closing balance, 31 December 2008 | - | 163,930 | 236,095 | 93,868 | 493,893 |
| Net book value as of 31 December 2007 | 39,911 | 90,944 | 90,169 | 27,076 | 248,100 |
| Net book value as of 31 December 2008 | - | 17,523 | 37,398 | 6,919 | 61,840 |

(Amounts expressed in Turkish Lira ("TL"))

## 10. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The following useful lives are used in the calculation of depreciation:

| | Useful life |
|---|---|
| Buildings | 50 years |
| Vehicles | 5 years |
| Furniture and fixtures | 5 years |
| Leasehold improvements | 5 years |

## 11. INTANGIBLE ASSETS

| | Licenses | Total |
|---|---|---|
| Cost value: | | |
| Opening balance as of 1 January 2007 | 54,122 | 54,122 |
| Additions | - | - |
| Closing balance as of 31 December 2007 | 54,122 | 54,122 |
| Additions | 412 | 412 |
| Closing balance as of 31 December 2008 | 54,534 | 54,534 |
| Accumulated amortization: | | |
| Opening balance as of 1 January 2007 | 20,445 | 20,445 |
| Charge for the year | 11,362 | 11,362 |
| Closing balance as of 31 December 2007 | 31,807 | 31,807 |
| Charge for the year | 11,407 | 11,407 |
| Closing balance as of 31 December 2007 | 43,214 | 43,214 |
| Net book values: | | |
| As of 31 December 2007 | 22,315 | 22,315 |
| As of 31 December 2008 | 11,320 | 11,320 |

Licenses are amortised in 5 years.

(Amounts expressed in Turkish Lira ("TL"))

## 12. BORROWINGS

| | 31 December 2008 | 31 December 2007 |
|---|---|---|
| Financial Borrowings: | | |
| Short-term borrowings | 40,572,440 | 26,331,186 |
| Short-term portions of long-term borrowings | 1,721,778 | 562,206 |
| Total short-term borrowing | 42,294,218 | 26,893,392 |
| Long-term portions of long-term borrowings | 3,547,525 | 7,946,460 |
| Total borrowings | 45,841,743 | 34,839,852 |

| Maturity analysis of borrowings | 31 December 2008 | 31 December 2007 |
|---|---|---|
| Within 1 year | 42,294,218 | 26,893,392 |
| Within 1-2 years | 3,072,914 | 6,655,627 |
| Within 2-3 years | 387,641 | 1,290,833 |
| Within 3-4 years | 86,970 | - |
| | 45,841,743 | 34,839,852 |

The details of short-term borrowings are as follows as of 31 December 2008:

| Currency | Interest rate | 31 December 2008 Original Currency | 31 December 2008 TL Equivalent |
|---|---|---|---|
| USD | 3.82 %-10.00 % | 9,047,647 | 13,682,757 |
| EUR | 3.85 %-10.00 % | 13,354,039 | 28,588,327 |
| TL | 0.0 % | 23,134 | 23,134 |
| | | | 42,294,218 |

The details of short-term borrowings are as follows as of 31 December 2007:

| Currency | Interest rate | 31 December 2007 Original Currency | 31 December 2007 TL Equivalent |
|---|---|---|---|
| USD | 6.40 %-7.65 % | 1,874,860 | 2,183,650 |
| EUR | 4.94 %-6.51 % | 14,448,452 | 24,709,742 |
| | | | 26,893,392 |

(Amounts expressed in Turkish Lira ("TL"))

12. BORROWINGS (cont'd)

The details of long-term borrowings as of 31 December 2008 are as follows:

| Currency | Interest rate | 31 December 2008 Original Currency | 31 December 2008 TL Equivalent |
|---|---|---|---|
| USD | 10.00 % | 700,000 | 1,058,610 |
| EUR | 5.95 %-10.00 % | 1,162,610 | 2,488,915 |
| Total | | | 3,547,525 |

The details of long-term borrowings as of 31 December 2007 are as follows:

| Currency | Interest rate | 31 December 2007 Original Currency | 31 December 2007 TL Equivalent |
|---|---|---|---|
| USD | 5.71 %-5.79 % | 2,544,521 | 2,963,603 |
| EUR | 5.43 %-6.00 % | 2,913,610 | 4,982,857 |
| Total | | | 7,946,460 |

Borrowings amounting to EUR 440,000 and USD 1,100,000 (2007: EUR 1,100,000, USD 1,000,000) with variable libor + fixed interest rates exposes the Company to the cash flow interest rate risk. Other borrowings with fixed interest rates exposing the Company to the fair value interest rate risk.

As of 31 December 2008, the Company has TL 12,893,446 of undrawn borrowing facilities available.

13. TRADE PAYABLES

| | 31 December 2008 | 31 December 2007 |
|---|---|---|
| Trade payables | 32,498 | 1,016,864 |
| | 32,498 | 1,016,864 |

(Amounts expressed in Turkish Lira ("TL"))

## 14. OTHER PAYABLES AND EXPENSE ACCRUALS

| | 31 December 2008 | 31 December 2007 |
|---|---|---|
| Due to related parties (note 7) | 434,780 | 543,820 |
| Advances received (*) | 1,362,335 | - |
| Social security premiums payable | 23,387 | 46,529 |
| Taxes and dues payable | 32,285 | 37,134 |
| Due to personnel | - | 850 |
| Other payables | 39,634 | 26,129 |
| | 1,892,421 | 654,462 |

(*) These are advances received from customers due to the finance leases which are not started to use by customers.

## 15. PROVISIONS

| | 31 December 2008 | 31 December 2007 |
|---|---|---|
| Unused vacation pay provisions: | 19,390 | 23,994 |
| | 19,390 | 23,994 |

## 16. PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

Under Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has qualified. Also, employees are required to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions according to current 506 numbered Social Insurance Law's 6 March 1981 dated, 2422 numbered and 25 August 1999 dated, 4447 numbered with $60^{th}$ article that has been changed.

The amount payable consists of one month's salary limited to a maximum of TL 2,173.18 (2007: TL 2,030.19) for each period of service at 31 December 2008.

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

The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of employees. IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase 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 financial statements as at 31 December 2008, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 5.40% and a discount rate of 12%, resulting in a real discount rate of approximately 6.26% ( 31 December 2007: 5.71%). The anticipated rate of forfeitures is considered. As the maximum liability is revised semi annually, the maximum amount of TL 2,260.05 effective from 1 January 2009 has been taken into consideration in calculation of provision from employment termination benefits.

(Amounts expressed in Turkish Lira ("TL"))

## 16. PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (cont'd)

| | 1 January- 31 December 2008 | 1 January- 31 December 2007 |
|---|---|---|
| Provision at 1 January | 9,847 | 5,213 |
| Service costs | 16,425 | 4,348 |
| Interest costs | 564 | 286 |
| Employee termination benefits paid | (19,527) | - |
| Provision at 31 December | 7,309 | 9,847 |

## 17. TAXATION ON INCOME

As of the balance sheet date, corporate taxes payable and tax provision are stated below:

| | 31 December 2008 | 31 December 2007 |
|---|---|---|
| Current tax liability: | | |
| Current corporate tax provision | - | - |
| Less: Prepaid taxes and funds | - | - |
| | - | - |
| Taxation: | | |
| Current income tax | - | - |
| Deferred tax (benefit) / expense | (80,191) | - |
| | (80,191) | - |

*Corporate Tax:*

The Company is subject to Turkish corporate taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company's results for the years and periods.

Corporate tax is applied on taxable corporate income, which is calculated from the statutory accounting profit by adding back nondeductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective rate of tax in 2008 is 20% (2007: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2008 is 20% (2007: 20% ).

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

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

17. TAXATION ON INCOME (cont'd)

*Income withholding tax:*

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% commencing from 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes. Withholding tax at the rate of 19,8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, companies can deduct 40% of the investments within the scope of the investment incentive certificate and that are directly related to production facilities of the company. The investments without investment incentive certificates do not qualify for tax allowance.

Investment incentive certificates are revoked commencing from 1 January 2006. If companies cannot use investment incentive due to inadequate profit, such outstanding investment incentive can be carried forward to following years so as to be deducted from taxable income of subsequent profitable years. However the companies can deduct the carried forward outstanding allowance from 2006, 2007 and 2008 taxable income. The investment incentive amount that cannot be deducted from 2008 taxable income will not be carried forward to following years.

The tax rate that the companies can use in the case of deducting the tax investment incentive amount in 2006, 2007 and 2008 is 30%. If the Company cannot use the investment incentive carried forward, the effective tax rate will be 20% and the unused investment incentive will be cancelled.

*Inflation adjusted legal tax calculation:*

For 2003 and previous years, taxable profits were calculated without any inflation adjustment to the statutory records, except that fixed assets and the related depreciation were revalued annually. Law No. 5024 published in the Official Gazette No. 25332 on 30 December 2003 requires the application of inflation accounting in Turkey in 2005 and future years for tax purposes, if the actual rate of inflation meets certain thresholds, using principles which do not differ substantially from the principles in IAS 29 "Financial Reporting in Hyperinflationary Economies". As inflation met certain thresholds as of 31 December 2004, the Company has adjusted its statutory financial statements as of 31 December 2004 in accordance with Law No. 5024 and inflation adjusted balances as at 31 December 2004 were taken as opening balances as of 1 January 2005. However, as inflation did not meet the required thresholds as at 31 December 2005, 2006, 2007 and 2008, no further inflation adjustment has been made to the Company's statutory financial statements in these years.

*Deferred Tax:*

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and they are given below.

For calculation of deferred tax asset and liabilities, the rate of 20% (2007 : 20%) is used.

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

(Amounts expressed in Turkish Lira ("TL"))

## 17. TAXATION ON INCOME (cont'd)

*Deferred Tax (cont'd)*

| Deferred Tax (assets)/liabilities: | 31 December 2008 | 31 December 2007 |
|---|---|---|
| Inflation accounting and depreciation/amortisation differences of property, plant and equipment and intangible assets | (4,399) | (5,791) |
| Discount income / (expense) | - | (3,562) |
| Provision for employee termination benefits | (1,478) | (1,969) |
| Unused vacation pay | (3,878) | (4,799) |
| Tax losses carried forward | - | (126,137) |
| Provision for doubtful receivables | (59,214) | - |
| Unused investment incentive | - | (3,136,575) |
| Impairment in assets held for sale | (14,717) | - |
| Other | 3,495 | 8,064 |
| | (80,191) | (3,270,769) |
| Allowance for deferred tax asset | - | 3,270,769 |
| | (80,191) | - |

Movements of deferred tax liabilities as of 31 December 2008 and 2007 are as follows:

| | 1 January- 31 December 2008 | 1 January- 31 December 2007 |
|---|---|---|
| Opening balance at 1 January 2008 | - | - |
| Charged to profit or loss for the year | (80,191) | - |
| Closing balance at 31 December 2008 | (80,191) | - |

Total (benefit) / charge for the year can be reconciled to the accounting profit as follows:

| Reconciliation of taxation: | 1 January- 31 December 2008 |
|---|---|
| Profit before tax | 1,031,004 |
| Tax at the domestic income tax rate of 20% (2007: 20%) | 206,201 |
| Tax effects of: | |
| - Expenses that are not deductible in determining taxable profit | 14,378 |
| - Unused investment incentive | (182,268) |
| - Unused tax losses and tax offsets not recognised as deferred tax assets | (126,148) |
| - Non-taxable IFRS adjustments | 7,646 |
| | (80,191) |

(Amounts expressed in Turkish Lira ("TL"))

## 18. COMMITMENTS AND CONTINGENCIES

The commitments and contingencies of the Company that are not stated in liabilities as of 31 December 2008 and 2007 are as follows:

| | 31 December 2008 | 31 December 2007 |
|---|---|---|
| Letters of guarantee given | 136,695 | 180,985 |
| | 136,695 | 180,985 |

## 19. SHARE CAPITAL AND LEGAL RESERVES

As of 31 December 2008 and 2007 the share capital held is as follows:

| Shareholders | (%) | 31 December 2008 | (%) | 31 December 2007 |
|---|---|---|---|---|
| TE Holding | 94.95 | 7,358,625 | 94.95 | 7,358,625 |
| Nejat Zafer Ataman | 5.00 | 387,500 | 5.00 | 387,500 |
| Others | 0.05 | 3,875 | 0.05 | 3,875 |
| Historical capital | 100,00 | 7,750,000 | 100,00 | 7,750,000 |
| Inflation adjustment | | 6,626,852 | | 6,626,852 |
| Adjusted capital | | 14,376,852 | | 14,376,852 |

The Company's share capital consists of 7,750,000 shares in 2008 ( 31 December 2007: 7,750,000).

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

(Amounts expressed in Turkish Lira ("TL"))

## 20. OTHER OPERATING EXPENSES

| | 1 January-31 December 2008 | 1 January-31 December 2007 |
|---|---|---|
| Rent expenses | (149,093) | (98,444) |
| Depreciation and amortization expenses | (142,479) | (148,879) |
| Electricity, hydro, heating and communication expenses | (116,759) | (90,043) |
| Transportation expenses | (113,827) | (120,575) |
| Impairment for assets held for sale | (73,583) | - |
| Consulting expenses | (75,149) | (72,146) |
| Not-tax deductable expenses | (52,300) | (72,927) |
| Maintenance expenses | (52,278) | (72,523) |
| Other expenses | (38,735) | (96,717) |
| Subscription and membership fees | (35,806) | (34,590) |
| | (850,009) | (806,844) |

## 21. FOREIGN CURRENCY POSITION

As of 31 December 2008 and 31 December 2007, the Companys' asset and liability position in foreign currency in terms of TL is as follows:

| | 31 December 2008 | 31 December 2007 |
|---|---|---|
| Assets | 50,154,917 | 41,941,874 |
| Liabilities | (47,502,819) | (34,839,852) |
| Currency position (net) | 2,652,098 | 7,102,022 |

As of 31 December 2008:

| Assets | TL Equivalent of USD | TL Equivalent of EUR | Total TL Equivalent |
|---|---|---|---|
| Cash and cash equivalents | 1,526,673 | 1,561,746 | 3,088,419 |
| Finance lease receivables | 14,927,884 | 32,138,614 | 47,066,498 |
| | 16,454,557 | 33,700,360 | 50,154,917 |
| Liabilities | | | |
| Borrowings | (14,741,367) | (31,077,242) | (45,818,609) |
| Other current liabilities | (287,038) | (1,397,172) | (1,684,210) |
| | (15,028,405) | (32,474,414) | (47,502,819) |
| Foreign currency position (net) | 1,426,152 | 1,225,946 | 2,652,098 |

(Amounts expressed in Turkish Lira ("TL"))

## 21. FOREIGN CURRENCY POSITION (cont'd)

As of 31 December 2007:

| Assets | TL Equivalent of USD | TL Equivalent of EUR | Total TL Equivalent |
|---|---|---|---|
| Cash and cash equivalents | 1,398,805 | 1,648,633 | 3,047,438 |
| Finance lease receivables | 8,669,671 | 30,224,765 | 38,894,436 |
| | 10,068,476 | 31,873,398 | 41,941,874 |
| Liabilities | | | |
| Borrowings | (5,147,253) | (29,692,599) | (34,839,852) |
| | (5,147,253) | (29,692,599) | (34,839,852) |
| Foreign currency position (net) | 4,921,223 | 2,180,799 | 7,102,022 |

## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### (a) Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and the equity balance.

The capital structure of the Company consists of equity comprising issued capital, reserves and retained earnings.

### (b) Significant accounting policies

The Company's accounting policies about financial instruments are disclosed in note 3 "Significant accounting policies" to the financial statements.

### (c) Categories of financial instruments

| | 31 December 2008 | 31 December 2007 |
|---|---|---|
| Financial assets: | | |
| Cash and cash equivalents | 3,202,335 | 3,195,493 |
| Finance lease receivables | 49,391,276 | 39,747,164 |
| Financial liabilities: | | |
| Trade payables | (32,498) | (1,016,864) |
| Borrowings | (45,841,743) | (34,839,852) |

(Amounts expressed in Turkish Lira ("TL"))

## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

### (d) Financial risk management objectives

The Company's corporate treasury function provides services to the business, coordinates access to domestic and international markets, monitors and manages the financial risks relating to the operations of the Company through internal risk reports which analyses exposures by degree and magnitude of risk. These risks include market risk (including currency risk, fair value interest rate risk and price risk) credit risk, liquidity risk and cash flow interest rate risk.

### (e) Market risk

The Company's activities expose it primarily to the financial risks of changes in foreign exchange rates (refer to section f) and interest rates (refer to section g).

At the Company level market risk exposures are measured by sensitivity analysis.

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

### (f) Foreign currency risk management

Foreign currency transactions causes foreign currency risk. The Company's assets and liabilities denominated in foreign currencies are disclosed in Note 21.

Foreign currency sensitivity

The Company mainly is exposed to USD and EURO exchange rate risks.

The statement below shows the sensitivity of the Company to USD and EURO when a 15% change occurs at those currencies' exchange rates. 15% change in rates is used when reporting foreign currency risk to the top management and stands for expected fluctuation in exchange rates by the top management. Foreign currency sensitivity analysis for the reporting period of the Company is determined based on the change at the beginning of the fiscal year and fixed during the reporting period. Positive amount refers to increase in net profit.

| | USD Effect | | EURO Effect | |
|---|---|---|---|---|
| | 2008 | 2007 | 2008 | 2007 |
| Profit | 323,515 | 859,762 | 393,676 | 559,440 |
| (Loss) | (323,515) | (859,762) | (393,676) | (559,440) |

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(g) Interest risk management

The Company is exposed to interest rate risk as the Company borrows funds at both fixed and floating interest rates. Such risk is covered by making a proper diversification between fixed and floating interest rate liabilities.

Interest rate sensitivity

The interest rate sensitivity analysis below is based on interest rate risk as of the balance sheet date and estimated interest rate fluctuations at the beginning of the fiscal year, and are fixed during the reporting period. The Company management makes its sensitivity analysis based on 100 base point interest rate fluctuation scenario.

In the case of interest rates being 100 base points higher at balance sheet date and holding all other variables fixed:

Interest expense from floating interest rate borrowings would increase by TL 25,223 (2007: TL 29,168).

(h) Other price risks

The Company is not effected to equity shares price risks because of equity investments.

(ı) Credit risk management

Credit risks refer to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company's exposure and credit ratings of its counterparties are continuously monitored and the aggregate value of the transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the board of directors.

Finance lease receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

(Amounts expressed in Turkish Lira ("TL"))

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Industry allocation of finance lease receivables is as follows:

| | 31 December 2008 % | 31 December 2007 % |
|---|---|---|
| Construction | 41.37 | 44.37 |
| Textile | 29.84 | 25.39 |
| Metal Industry | 13.30 | 11.95 |
| Mechanical Industry | 3.04 | 5.15 |
| Health | 2.87 | 1.99 |
| Other | 9.58 | 11.15 |
| | 100.00 | 100.00 |

(i) Liquidity risk management

Liquidity risk management responsibility mainly belongs to the board of directors. The board of directors has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

Liquidity risk table

The following table details the Company's expected maturity for its non derivative financial assets and liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets and liabilities.

(Amounts expressed in Turkish Lira ("TL"))

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Liquidity risk table (cont'd)

31 December 2008:

| | Up to 1 month | 1-3 month | 3 months – 1 year | 1-5 years | Adjustments | Total |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 3,202,335 | - | - | - | - | 3,202,335 |
| Finance lease receivables | 977,409 | 5,438,068 | 19,649,801 | 31,400,302 | (8,074,304) | 49,391,276 |
| Total assets | 4,179,744 | 5,438,068 | 19,649,801 | 31,400,302 | (8,074,304) | 52,593,611 |
| Borrowings | (3,778,233) | (6,266,700) | (36,541,253) | (3,913,368) | 4,657,811 | (45,841,743) |
| Trade payables (net) | (32,498) | - | - | - | - | (32,498) |
| Total liabilities | (3,810,731) | (6,266,700) | (36,541,253) | (3,913,368) | 4,657,811 | (45,874,241) |
| Liquidity position (net) | 369,013 | (828,632) | (16,891,452) | 27,486,934 | (3,416,493) | 6,719,370 |

31 December 2007:

| | Up to 1 month | 1-3 month | 3 months-1 year | 1-5 years | Adjustments | Total |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 3,195,493 | - | - | - | - | 3,195,493 |
| Finance lease receivables | 5,075,851 | 4,304,916 | 16,207,383 | 20,027,570 | (5,868,556) | 39,747,164 |
| Total assets | 8,271,344 | 4,304,916 | 16,207,383 | 20,027,570 | (5,868,556) | 42,942,657 |
| Borrowings | (3,558,205) | (4,314,249) | (22,441,497) | (7,197,238) | 2,671,337 | (34,839,852) |
| Trade payables (net) | (1,016,864) | - | - | - | - | (1,016,864) |
| Total liabilities | (4,575,069) | (4,314,249) | (22,441,497) | (7,197,238) | 2,671,337 | (35,856,716) |
| Liquidity position (net) | 3,696,275 | (9,333) | (6,234,114) | 12,830,332 | (3,197,219) | 7,085,941 |

(Amounts expressed in Turkish Lira ("TL"))

## 22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

### (k) Categories of financial instruments and fair values

| | Financial assets at amortized cost | Loans and receivables | Financial liabilities at amortized cost | Carrying value | Fair value | Note |
|---|---|---|---|---|---|---|
| 31 December 2008 | | | | | | |
| Financial assets | | | | | | |
| Cash and cash equivalents | 3,202,335 | - | - | 3,202,335 | 3,202,335 | 5 |
| Finance lease receivable | - | 49,391,276 | - | 49,391,276 | 49,391,276 | 6 |
| Financial liabilities | | | | | | |
| Trade payables | - | - | (32,498) | (32,498) | (32,498) | 13 |
| Borrowings | - | (45,841,743) | - | (45,841,743) | (45,841,743) | 12 |
| 31 December 2007 | | | | | | |
| Financial assets | | | | | | |
| Cash and cash equivalents | 3,195,493 | - | - | 3,195,493 | 3,195,493 | 5 |
| Finance lease receivable | - | 39,747,164 | - | 39,747,164 | 39,747,164 | 6 |
| Financial liabilities | | | | | | |
| Trade payables | - | - | (1,016,864) | (1,016,864) | (1,016,864) | 13 |
| Borrowings | - | (34,839,852) | - | (34,839,852) | (34,839,852) | 12 |

## 23. EVENTS AFTER THE BALANCE SHEET DATE

Adana Liaison Office of the Company closed with the Board of Directors decision as of January 05, 2009.