

**YATIRIM FİNANSAL KİRALAMA
ANONİM ŞİRKETİ**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2010**

INDEPENDENT AUDITORS REPORT

To the Board of Directors of
Yatırım Finansal Kiralama Anonim 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 2010, and the statement of comprehensive 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, 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.

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.



Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Yatırım Finansal Kiralama A.Ş. as of 31 December 2010, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

İstanbul, 14 April 2011

DRT Bağımsız Denetim ve S.M.M.M. A.Ş.

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

YATIRIM FİNANSAL KİRALAMA A.Ş.

BALANCE SHEET AS AT 31 DECEMBER 2010

(Amounts expressed in thousand Turkish Lira (“thousand TL”))

ASSETS

	<u>Notes</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
CURRENT ASSETS			
Cash and cash equivalents	5	7,036	4,281
Finance lease receivables	6	18,416	20,329
- Due from non-related parties		17,102	17,157
- Due from related parties	7	1,314	3,172
Other receivables and current assets	8	505	473
Assets classified as held for sale	9	988	1,780
Total Current Assets		<u>26,945</u>	<u>26,863</u>
NON CURRENT ASSETS			
Finance lease receivables	6	10,936	12,505
- Due from non-related parties		9,291	12,505
- Due from related parties	7	1,645	-
Property, plant and equipment	10	837	21
Intangible assets	11	5	3
Deferred tax asset	16	3,690	3,674
Total Non-Current Assets		<u>15,468</u>	<u>16,203</u>
TOTAL ASSETS		<u>42,413</u>	<u>43,066</u>

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

YATIRIM FİNANSAL KİRALAMA A.Ş.

BALANCE SHEET AS AT 31 DECEMBER 2010

(Amounts expressed in thousand Turkish Lira (“thousand TL”))

LIABILITIES AND EQUITY

	Notes	31 December 2010	31 December 2009
CURRENT LIABILITIES			
Trade payables	13	143	212
- Other payables and expense accruals		3	50
- Due to related parties	7	140	162
Borrowings	12	23,710	27,664
Current tax liability	16	79	-
Provision for short-term benefits	15	37	39
Other payables and expense accruals	14	787	1,220
Total Current Liabilities		24,756	29,135
NON CURRENT LIABILITIES			
Borrowings	12	4,669	1,079
Provision for employment termination benefits	15	18	19
Total Non-Current Liabilities		4,687	1,098
EQUITY			
Share capital	18	14,377	14,377
Legal reserves	18	96	96
Accumulated deficit		(1,503)	(1,640)
Total Equity		12,970	12,833
TOTAL LIABILITIES AND EQUITY		42,413	43,066

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

YATIRIM FİNANSAL KİRALAMA A.Ş.**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010**

(Amounts expressed in thousand Turkish Lira (“thousand TL”))

	<u>Notes</u>	<u>1 January- 31 December 2010</u>	<u>1 January- 31 December 2009</u>
Interest income on finance leases	19	3,763	5,021
Finance lease service cost	19	(569)	(284)
Interest income	20	62	91
Interest expense	20	(1,455)	(2,959)
Operation expenses	21	(2,380)	(2,046)
Other income and expenses (net)	22	1,053	463
Profit before taxation		<u>474</u>	<u>286</u>
Deferred tax income	16	(85)	3,594
Net profit for the year		<u>389</u>	<u>3,880</u>
Other Comprehensive income / (loss)		-	-
Total Comprehensive income		<u>389</u>	<u>3,880</u>

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

YATIRIM FINANSAL KİRALAMA A.Ş.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2010

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

	<u>Capital</u>	<u>Legal Reserves</u>	<u>Accumulated Deficit</u>	<u>Total Equity</u>
Balance as of 1 January 2009	14,377	96	(5,520)	8,953
Total Comprehensive income for the year	-	-	3,880	3,880
Balance as of 31 December 2009	<u>14,377</u>	<u>96</u>	<u>(1,640)</u>	<u>12,833</u>
Balance as of 1 January 2010	14,377	96	(1,640)	12,833
Dividends	-	-	(252)	(252)
Total Comprehensive income for the year	-	-	389	389
Balance as of 31 December 2010	<u>14,377</u>	<u>96</u>	<u>(1,503)</u>	<u>12,970</u>

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 2010

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

	Notes	1 January- 31 December 2010	1 January- 31 December 2009
Cash flows from operating activities			
Profit/(loss) for the year	15	389	3,880
Income tax expense		(85)	(3,594)
Finance costs		1,456	2,853
Loss on sale or disposal of property, plant and equipment		(7)	(85)
Provision for doubtful financial receivables	21	224	126
Depreciation and amortisation of non-current assets	10,11	28	47
Unrealized foreign exchange loss / (gain)		(860)	(909)
Increase in provision of employment termination benefits	15	(1)	-
Increase in unused vacation provision		(2)	-
		<u>1,142</u>	<u>2,318</u>
Movements in working capital			
Increase in finance receivables		3,282	16,431
(Increase)/ decrease in other receivables and other assets		(31)	1,405
Increase in provision of employment termination benefits	15	-	12
Increase in other payables, expense accruals and provisions		(501)	(473)
Cash generated from / (used in) operations		<u>3,892</u>	<u>19,693</u>
Corporate tax paid		148	(2,853)
Interest received		(1,912)	121
Termination benefits paid	15	-	(26)
Net cash generated by/ (used in) operating activities		<u>2,128</u>	<u>16,935</u>
Cash flows from investing activities			
Payments for property, plant and equipment	10	(846)	(10)
Proceeds from disposal of property, plant and equipment		9	97
Payments for intangible assets	11	(2)	-
(Increase) / decrease in assets held for sale		792	342
Net cash generated by / (used in) investing activities		<u>(47)</u>	<u>429</u>
Cash flows from financing activities			
Proceeds from borrowings		(1,331)	24,750
Repayment of borrowings		2,223	(41,035)
Dividend payment		(252)	-
Net cash (used in) / generated by financing activities		<u>640</u>	<u>16,285</u>
The effect of exchange rate changes on foreign currency cash		<u>34</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents		<u>2,755</u>	<u>1,079</u>
Cash and cash equivalents at the beginning of year		<u>4,281</u>	<u>3,202</u>
Cash and cash equivalents at the end of year	5	<u>7,036</u>	<u>4,281</u>

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

YATIRIM FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in thousand Turkish Lira (“thousand 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 Nuroi Maslak Plaza A Blok Büyükdere Cad. No:255 K:15 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 2010 is 17. (31 December 2009: 13).

2. ADOPTION OF NEW AND REVISED STANDARDS

The following new and revised standards and interpretations were implemented in the current year and this implementation had an impact on the reported amounts and disclosures of financial statements. Other standards and interpretations that implemented in the financial statements but had no effect on reported amounts are also explained in the further parts of this article.

Standards and Interpretations affecting reported results or financial position of 2010

None

Standards and Interpretations that are effective in 2010 with no impact on the 2010 financial statements

The following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has not had any significant impact on the amounts reported in these financial statements but may impact the accounting for future transactions or arrangements.

IAS 27 (revised in 2008) Consolidated and Separate Financial Statements

In prior years, in the absence of specific requirements in IFRSs, increases in interests in existing subsidiaries were treated in the same manner as the acquisition of subsidiaries, with goodwill or a bargain purchase gain being recognised, when appropriate; for decreases in interests in existing subsidiaries that did not involve a loss of control, the difference between the consideration received and the adjustment to the non-controlling interests was recognised in profit or loss. Under IAS 27(2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised Standard requires the Company to derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

In the current period, the firm does not have a range of application to apply IAS 27 (2008) standards.

YATIRIM FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in thousand Turkish Lira (“thousand TL”))

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

Standards and Interpretations that are effective in 2010 with no impact on the 2010 financial statements (cont’d)

IAS 28 (revised in 2008) Investments in Associates

The principle adopted under IAS 27(2008) (see above) that a loss of control is recognised as a disposal and re-acquisition of any retained interest at fair value is extended by consequential amendments to IAS 28. Therefore, when significant influence over an associate is lost, the investor measures any investment retained in the former associate at fair value, with any consequential gain or loss recognised in profit or loss.

In the current period, the firm does not have a range of application to apply IAS 28 (2008) standards.

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2009)

The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal groups) classified as held for sale or discontinued operations unless those IFRSs require

- a) Specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or
- b) Disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements.

The firm does not have non-current Assets Held for Sale and discontinued operations.

IAS 7 Statement of Cash Flows (as part of Improvements to IFRSs issued in 2009)

The amendments to IAS 7 specify that only expenditures that result in a recognised asset in the statement of financial position can be classified as investing activities in the statement of cash flows. The application of the amendments to IAS 7 has resulted in a change in the presentation of cash outflows in respect of development costs that do not meet the criteria in IAS 38 Intangible Assets for capitalisation as part of an internally generated intangible asset. This change has been applied retrospectively.

The firm does not have expenditures of improvements.

IAS 1 Presentation of Financial Statements (as part of Improvements to IFRSs issued in 2010)

The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements.

YATIRIM FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in thousand Turkish Lira (“thousand TL”))

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

Standards and Interpretations that are effective in 2010 with no impact on the 2010 financial statements (cont'd)

IFRS 3 (revised), “Business Combinations” and consequential amendments to IAS 27, “Consolidated and separate financial statements”, IAS 28, “Investments in associates”, and IAS 31, “Interests in joint ventures”, are effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. The main impact of the adoption is as follows:

- a) to allow a choice on a transaction-by-transaction basis for the measurement of non-controlling interests (previously referred to as ‘minority’ interests) either at fair value or at the non-controlling interests’ share of the fair value of the identifiable net assets of the acquiree.
- b) to change the recognition and subsequent accounting requirements for contingent consideration.
- c) to require that acquisition-related costs be accounted for separately from the business combination, generally leading to those costs being recognized as an expense in profit or loss as incurred.
- d) in step acquisitions, previously held interests are to be remeasured to fair value at the date of the subsequent acquisition with the value included in goodwill calculation. Gain or loss arising from the re-measurement shall be recognized as part of profit or loss.
- e) IFRS 3 (2008) requires the recognition of a settlement gain or loss when the business combination in effect settles a pre-existing relationship between the Company and the acquiree.

There are not business combinations to apply IFRS 3 (revised) standards.

IFRIC 17, “Distributions of non-cash assets to owners”, effective for annual periods beginning on or after 1 July 2009. This is not currently applicable to the Company, as it has not made any non-cash distributions.

IFRIC 18, “Transfers of assets from customers”, effective for transfer of assets received on or after 1 July 2009. This is not relevant to the Company, as it has not received any assets from customers.

“Additional exemptions for first-time adopters” (Amendment to IFRS 1) was issued in July 2009. The amendments are required to be applied for annual periods beginning on or after 1 January 2010. This is not relevant to the Company, as it is an existing IFRS preparer.

IFRS 2, “Share-based Payments – Company Cash-settled Share Payment Arrangements” is effective for annual periods beginning on or after 1 January 2010. This is not currently applicable to the Company, as the Company does not have share-based payment plans.

Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (as part of Improvements to IFRSs issued in 2008) clarify that all the assets and liabilities of a subsidiary should be classified as held for sale when the Company is committed to a sale plan involving loss of control of that subsidiary, regardless of whether the Company will retain a non-controlling interest in the subsidiary after the sale. Since the company does not have non-current assets held for sale and discontinued operations this is not applied

YATIRIM FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in thousand Turkish Lira (“thousand TL”))

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

Standards and Interpretations that are effective in 2010 with no impact on the 2010 financial statements (cont'd)

Improvements to International Financial Reporting Standards 2009 were issued in April 2009. The improvements cover 12 main standards/interpretations as follows: IFRS 2 Share-based Payments, IFRS 5 Segment Reporting, IFRS 8 Operating Segments, IAS 1 Presentation of Financial Statements, IAS 7 Statement of Cash Flows, IAS 17 Leases, IAS 18 Revenue, IAS 36 Impairment of Assets, IAS 38 Intangible Assets, IAS 39 Financial Instruments: Recognition and Measurement, IFRIC 9 Reassessment of Embedded Derivatives, IFRIC 16 Hedges of Net Investment in a Foreign Operation. The effective dates vary standard by standard but most are effective 1 January 2010.

New and Revised IFRSs in issue but not yet effective

IFRS 1 (amendments) First-time Adoption of IFRS – Additional Exemptions and Two Other Amendments

Amendments to IFRS 1 which are effective for annual periods on or after 1 July 2010 provide limited exemption for first time adopters to present comparative IFRS 7 fair value disclosures.

On 20 December, IFRS 1 is amended to provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs and to provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time. The amendment above will be effective for annual periods beginning on or after 1 July 2011. These amendments are not relevant to the Company, as it is an existing IFRS preparer.

IFRS 7 Financial Instruments: Disclosures

In October 2010, IFRS 7 Financial Instruments: Disclosures is amended by IASB as part of its comprehensive review of off balance sheet activities. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period. The amendment will be effective for annual periods beginning on or after 1 July 2011. The Company has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

YATIRIM FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in thousand Turkish Lira (“thousand TL”))

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

New and Revised IFRSs in issue but not yet effective (cont'd)

IFRS 9 Financial Instruments: Classification and Measurement

In November 2009, the first part of IFRS 9 relating to the classification and measurement of financial assets was issued. IFRS 9 will ultimately replace IAS 39 Financial Instruments: Recognition and Measurement. The standard requires an entity to classify its financial assets on the basis of the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset, and subsequently measure the financial assets as either at amortized cost or at fair value. The new standard is mandatory for annual periods beginning on or after 1 January 2013. The Company has not had an opportunity to consider the potential impact of the adoption of this standard.

IAS 12 Income Taxes

In December 2010, IAS 12 is amended. IAS 12 requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40 Investment Property. The amendment provides a practical solution to the problem by introducing a presumption that recovery of the carrying amount will, normally be , be through sale. The amendment will be effective for annual periods beginning on or after 1 January 2012. The Company has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IAS 24 (Revised 2009) Related Party Disclosures

In November 2009, IAS 24 Related Party Disclosures was revised. The revision to the standard provides government-related entities with a partial exemption from the disclosure requirements of IAS 24. The revised standard is mandatory for annual periods beginning on or after 1 January 2011. The Company has not yet had an opportunity to consider the potential impact of the adoption of this revised standard.

IAS 32 (Amendments) Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements

The amendments to IAS 32 and IAS 1 are effective for annual periods beginning on or after 1 February 2010. The amendments address the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously, such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. The Company has not yet had an opportunity to consider the potential impact of the adoption of this amendment to the standard.

YATIRIM FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in thousand Turkish Lira (“thousand TL”))

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

New and Revised IFRSs in issue but not yet effective (cont'd)

IFRIC 14 (Amendments) Pre-payment of a Minimum Funding Requirement

Amendments to IFRIC 14 are effective for annual periods beginning on or after 1 January 2011. The amendments affect entities that are required to make minimum funding contributions to a defined benefit pension plan and choose to pre-pay those contributions. The amendment requires an asset to be recognized for any surplus arising from voluntary pre-payments made. The Company does not expect any impact of the adoption of this amendment on the financial statements.

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

IFRIC 19 is effective for annual periods beginning on or after 1 July 2010. IFRIC 19 addresses only the accounting by the entity that issues equity instruments in order to settle, in full or part, a financial liability. The Company has not yet had an opportunity to consider the potential impact of the adoption of this amendment to the standard.

Annual Improvements May 2010

Further to the above amendments and revised standards, the IASB has issued Annual Improvements to IFRSs in May 2010 that cover 7 main standards/interpretations as follow: IFRS 1 First-time Adoption of International Financial Reporting Standards; IFRS 3 Business Combinations; IFRS 7 Financial Instruments: Disclosures; IAS 27 Consolidated and Separate Financial Statements; IAS 34 Interim Financial Reporting and IFRIC 13 Customer Loyalty Programmes. With the exception of amendments to IFRS 3 and IAS 27 which are effective on or after 1 July 2010, all other amendments are effective on or after 1 January 2011. Early adoption of these amendments are allowed. The Company has not yet had an opportunity to consider the potential impact of the adoption of these amendments to the standards.

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.

Offsetting

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

YATIRIM FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in thousand Turkish Lira (“thousand TL”))

3. SIGNIFICANT ACCOUNTING POLICIES (cont’d)

Functional currency

The financial statements are 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.

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.

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

Revenue is measured at fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, and other similar allowances.

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.

YATIRIM FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in thousand Turkish Lira (“thousand TL”))

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 lives (5-10 years).

Impairment of non-financial assets

The carrying amounts of the Company’s tangible and intangible assets are reviewed at each reporting date to determine whether there is any indication of impairment. any such indication exists then the asset’s recoverable amount is estimated.If calculation of recoverable amount separately is impossible then cash-generating units recoverable amount is calculated. An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. The recoverable amount is the higher of an asset’s fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount Impairment losses are recognised in the income statement. If it is revalued impairment losses are deducted from revaluation fund.

Increase in carrying amount due to impairment reversal is not exceeded unrecognised prior year impairment. Impairment losses are recognised in the income statement. If it is revalued impairment losses are deducted from revaluation fund.

YATIRIM FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in thousand Turkish Lira (“thousand TL”))

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of non-financial assets (cont'd)

With the provision for impairment journalised, the book value of factoring receivables is reduced to their net realisable values. Provisions are booked on carrying amount in order to bring collectible amount at the result of impairment reviewed regularly. Factoring receivables are written off if all procedures are completed and net loss is clarified for doubtful finance receivable.

Borrowing costs

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.

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.

YATIRIM FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in thousand Turkish Lira (“thousand TL”))

3. SIGNIFICANT ACCOUNTING POLICIES (cont’d)

Deferred tax (cont’d)

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.

Retirement pay provision recognised in balance sheet is calculated based on net present value of all workers potential liabilities in future. Calculated actuarial gain and loss recognized in income statement.

Foreign currency transactions

The financial statements are 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.

Foreign exchange rates used by the Company as at 31 December 2010 and 31 December 2009 are as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
USD	1,5460	1,5057
EUR	2,0491	2,1603

The company’s legal records foreign currency transactions are converted to Turkish Lira currency rates in transaction date.

YATIRIM FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in thousand Turkish Lira (“thousand TL”))

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.

Available-for-sale financial assets

Investments held for and have quoted prices in an active market are classified as available for sale financial assets and measured at fair value. Gains and losses on available for sale financial assets at amortized cost are recognized in the income statement. Gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

The Company does not have available for sale financial assets at the year end.

Financial assets

Financial investments, except financial assets classified at fair value through profit or loss and financial assets initially recognized at fair value, are recognized at fair value net of directly attributable transaction costs. Investments are recognized and derecognized on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned.

Financial assets are classified into the following specified categories: financial assets classified as ‘at fair value through profit or loss’ (“FVTPL”), ‘held-to-maturity investments’, ‘available-for-sale’ (“AFS”) financial assets and ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

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 amortized cost using the effective interest method less any impairment.

YATIRIM FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in thousand Turkish Lira (“thousand TL”))

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

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.

YATIRIM FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in thousand Turkish Lira (“thousand TL”))

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities (cont'd)

Other financial liabilities (cont'd)

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.

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.

YATIRIM FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in thousand Turkish Lira (“thousand TL”))

3. SIGNIFICANT ACCOUNTING POLICIES (cont’d)

Provisions for finance lease losses (cont’d)

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.

Earnings per share

The Company’s shares are not publicly traded in the stock exchange so earnings per share calculation is not presented.

Operating segments

The Company’s operations are related with finance leasing and occurred in Turkey. So there is no need to disclose operating segments.

Events after the Balance Sheet Date

Events after the balance sheet date comprise any events between the balance sheet date and the date of authorization of the financial statements for issue, even if any events after the balance sheet date occurred subsequent to the announcement on the Company’s profit or following the publicly disclosed financial information.

The Company adjusts its financial statements if such adjusting subsequent events arise.

Changes in Accounting Policies, Accounting Estimates and Errors:

Changes in accounting policies are accounted for retrospectively. There were no significant changes in the Company’s accounting policies in the current year.

Changes in accounting estimates are accounted prospectively if such changes are related to the current year or current year and future periods. There were no significant changes in accounting estimates in the current year.

Errors are accounted for retrospectively and prior year financial statements are restated.

YATIRIM FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in thousand Turkish Lira (“thousand TL”))

4. DIVIDENDS

Company has distributed TL 252 thousand dividends in the current year.

5. CASH AND CASH EQUIVALENTS

	31 December 2010	31 December 2009
Cash on hand	-	1
Bank deposits		
Demand deposits	352	326
Time deposits	6,684	3,954
	<u>7,036</u>	<u>4,281</u>

The details of time deposits as at 31 December 2010 and 2009 are as follows:

<u>Currency Type</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>31 December 2010</u>
USD	1.00%	04.01.2011	2,144
EUR	0.50%	03.01.2011	778
TL	6.00%-7.00%	03.01.2011	3,762
			<u>6,684</u>

<u>Currency Type</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>31 December 2009</u>
USD	0.51%-1.00%	01.01.2010	1,530
EUR	1.50%-2.25%	01.01.2010	1,782
TL	5.53%-7.65%	01.01.2010	642
			<u>3,954</u>

6. FINANCE LEASE RECEIVABLES

<u>31 December 2010</u>	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Invoiced finance lease receivables	8,411	-	8,411
Invoiced finance lease dues from related parties	-	-	-
Uninvoiced finance lease receivables	10,496	10,646	21,142
Uninvoiced finance lease dues from related parties	1,314	1,645	2,959
Leasing investments	248	-	248
Less: Unearned interest income	(2,029)	(1,355)	(3,384)
Less: Allowance for doubtful receivables	(24)	-	(24)
Net finance lease receivables	<u>18,416</u>	<u>10,936</u>	<u>29,352</u>

YATIRIM FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in thousand Turkish Lira (“thousand TL”))

6. FINANCE LEASE RECEIVABLES (cont'd)

<u>31 December 2009</u>	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Invoiced finance lease receivables	11,775	-	11,775
Invoiced finance lease dues from related parties	5	-	5
Uninvoiced finance lease receivables	8,598	14,005	22,603
Uninvoiced finance lease dues from related parties	3,167	-	3,167
Less: Unearned interest income	(3,090)	(1,500)	(4,590)
Less: Allowance for doubtful receivables	(126)	-	(126)
Net finance lease receivables	<u>20,329</u>	<u>12,505</u>	<u>32,834</u>

The allocation of finance lease receivables according to their maturities as of 31 December 2010 is as follows:

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
Financial Lease Receivables (Gross)	20,445	7,321	3,756	1,164	50	32,736
Unearned Interest	(2,029)	(946)	(316)	(89)	(4)	(3,384)
Financial Lease Receivables (Net)	<u>18,416</u>	<u>6,375</u>	<u>3,440</u>	<u>1,075</u>	<u>46</u>	<u>29,352</u>

The allocation of finance lease receivables according to their maturities as of 31 December 2009 is as follows:

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>Total</u>
Financial Lease Receivables (Gross)	23,419	9,638	3,776	522	38	31	37,424
Unearned Interest	(3,090)	(1,140)	(303)	(49)	(6)	(2)	(4,590)
Financial Lease Receivables (Net)	<u>20,329</u>	<u>8,498</u>	<u>3,473</u>	<u>473</u>	<u>32</u>	<u>29</u>	<u>32,834</u>

As of 31 December 2010, the average nominal interest rate that applies for finance lease receivables is; 26.04% for TL, 12.05% for USD, and 11.32% for EURO (31 December 2009: 29.62% for TL, 13.48% for USD, and 11.67% for EURO).

As of 31 December 2010, the distribution of finance lease receivables according to foreign currency type is as follows:

<u>Currency</u>	<u>Principal in original currency</u>	<u>Principle in TL</u>	<u>Unearned interest in original currency</u>	<u>Unearned interest in TL</u>
USD	5,210	8,054	528	816
EUR	9,689	19,852	1,110	2,274
TL	-	1,446	-	294
Total		<u>29,352</u>		<u>3,384</u>

YATIRIM FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in thousand Turkish Lira (“thousand TL”))

6. FINANCE LEASE RECEIVABLES (cont'd)

As of 31 December 2009, 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	6,306	9,495	883	1,329
EUR	9,959	21,514	1,381	2,983
TL	-	1,825	-	278
Total		32,834		4,590

All finance lease receivables as of 31 December 2010 and 31 December 2009 have fixed interest rate.

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

Guarantee type:	31 December 2010	31 December 2009
Mortgages	22,286	24,959
Notes in portfolio	1,509	5,532
Buy back guarantees	481	2,071
Pledges of vehicles and machines	949	248
Pledges of assets	80	713
Letters of guarantee	909	-
	26,214	33,523

As of balance sheet date, the Company’s finance lease receivables which are overdue less than 150 days is amounting to thousand TL 614 (31 December 2009: thousand TL 969). 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 2010 for these receivables is thousand TL 6,842 (31 December 2009: thousand TL 12,251)

Aging of past due but not impaired receivables	31 December 2010	31 December 2009
Up to 30 days	312	449
Between 30 – 60 days	160	245
Between 60 – 90 days	87	135
Between 90 – 150 days	55	140
Total past due	614	969
Portion not due as of balance sheet date	6,842	12,251
	7,456	13,220

YATIRIM FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in thousand Turkish Lira (“thousand TL”))

6. FINANCE LEASE RECEIVABLES (cont’d)

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

<u>Details of Guarantees:</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Mortgages	5,206	10,263
Notes in portfolio	1,854	2,102
Pledges of vehicles	88	102
Buy back guarantees	34	470
Pledges of machines	179	54
	<u>7,361</u>	<u>12,991</u>

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 credit risk is evenly distributed and there is no concentration of risk.

The Company has set provision for doubtful receivables in accordance with the Communiqué dated 1 January, 2008 on the Principles and Procedures for the Financial Leasing, Factoring and Finance Companies.

The aging of the doubtful receivables as of 31 December 2010 and 2009 is as follows:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Between 150 – 240 days	126	183
Between 240 – 360 days	45	92
360 days and above	2,847	3,274
Portion not due as of balance sheet date	5,872	8,234
Less: Unearned interest income	(1,030)	(1,217)
	<u>7,860</u>	<u>10,566</u>

Guarantees obtained against doubtful receivables:

	<u>31 December 2010</u>	<u>31 December 2009</u>
Mortgages	6,801	9,024
Cash Blokage	80	713
Notes in portfolio	556	564
Pledges of machines	3	155
Buy back guarantees	420	108
Pledges of assets	-	2
	<u>7,860</u>	<u>10,566</u>

YATIRIM FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in thousand Turkish Lira (“thousand TL”))

6. FINANCE LEASE RECEIVABLES (cont'd)

The movement of provision for allowance of doubtful finance lease receivables as of 31 December 2010 and 31 December 2009 is as follows:

	1 January- 31 December 2010	1 January- 31 December 2009
Balance at beginning of the year	(126)	(329)
Period charge	(224)	(20)
Amounts recovered during the year	326	223
Balance at the end of the year	(24)	(126)

7. RELATED PARTY TRANSACTIONS

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

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions.

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

	31 December 2010	31 December 2009
<u>Lease contract receivables from related parties</u>		
Tec Tekstil Dokuma Baskı Matbaa Etiket San. ve Tic. A.Ş.	1,456	1,384
Tetaş İç ve Dış Ticaret A.Ş. (*)	142	828
Tepaş Tekstil Pazarlama A.Ş.	627	926
Strateji Factoring Hizmetleri A.Ş.	246	34
Tema Lojistik Ltd. Şti.	488	-
	<u>2,959</u>	<u>3,172</u>

(*) Temat Kırtasiye Büro Ekipmanlar Tekstil San.Tic.A.Ş., Tesan Makine Bilişim Teknolojileri San.Tic.A.Ş. and Tetaş Tekstil İmalat İthalat Dahili Tic.A.Ş. have combined under the name Tetaş İç ve Dış Ticaret A.Ş.

	31 December 2010	31 December 2009
<u>Amounts payable to related parties</u>		
Tet Sigorta Aracılık Hizmetleri A.Ş.	128	120
Tetaş İç ve Dış Ticaret A.Ş.	-	41
Tet Tekstil Etiket Ambalaj Matbaacılık A.Ş.	-	1
Tec Tekstil Dokuma Baskı Matbaa Etiket San. ve Tic. A.Ş.	6	-
Tema Lojistik Ltd. Şti.	6	-
	<u>140</u>	<u>162</u>

The lease receivables from related parties and amounts payable to related parties are included in trade receivables and trade payables in accompanying financial statements.

YATIRIM FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in thousand Turkish Lira (“thousand TL”))

7. RELATED PARTY TRANSACTIONS (cont'd)

	1 January- 31 December 2010	1 January- 31 December 2009
<u>Lease income from related parties</u>		
Tec Tekstil Dokuma Baskı Matbaa Etiket San. ve Tic. A.Ş.	86	103
Tetaş İç ve Dış Ticaret A.Ş.	34	92
Tepaş Tekstil Pazarlama A.Ş.	68	60
Tema Lojistik Ltd. Şti.	12	-
Strateji Factoring A.Ş.	7	2
Venüs Giyim A.Ş.	-	1
	<u>207</u>	<u>258</u>
<u>Other income (rent income) from related parties</u>		
Strateji Factoring Hizmetleri A.Ş.	82	234
<u>Services received from related parties</u>		
Tet Sigorta Aracılık Hizmetleri A.Ş.	669	1,108
<u>The remuneration of directors and other members of key management (*)</u>		
Short-term benefits (**)	534	478

(*) Key management of the Company are general manager, vice general manager and members of board of directors.

(**)The amount includes salaries, bonuses, premiums and also rent, depreciation and other expenses

8. OTHER RECEIVABLES AND CURRENT ASSETS

	31 December 2010	31 December 2009
<u>Short term</u>		
VAT deductible	89	369
Advances given	22	23
Insurance receivables	189	-
Other receivables	205	52
Prepaid taxes and dues	-	29
	<u>505</u>	<u>473</u>

YATIRIM FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in thousand Turkish Lira (“thousand TL”))

9. ASSETS CLASSIFIED AS HELD FOR SALE

	31 December 2010	31 December 2009
Assets held for sale (*)	988	1,844
<u>Impairment for assets held for sale (-)</u>	<u>-</u>	<u>(64)</u>
	<u>988</u>	<u>1,780</u>

(*) 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.

YATIRIM FINANSAL KIRALAMA A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

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

10. PROPERTY, PLANT AND EQUIPMENT

<u>Cost Value:</u>	<u>Vehicles</u>	<u>Furniture and fixtures</u>	<u>Leaschold improvements</u>	<u>Total</u>
Opening balance, 1 January 2009	181	273	101	555
Additions	-	10	-	10
Disposals	(34)	(18)	-	(52)
Closing balance, 31 December 2009	147	265	101	513

<u>Accumulated Depreciation:</u>				
Opening balance, 1 January 2009	163	236	94	493
Depreciation charge for the year	7	25	7	39
Disposals	(24)	(16)	-	(40)
Closing balance, 31 December 2009	146	245	101	492

Net book value as of 31 December 2009	1	20	-	21
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YATIRIM FİNANSAL KİRALAMA A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

(Amounts expressed in thousand Turkish Lira (“thousand TL”))

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

<u>Cost Value:</u>	<u>Vehicles</u>	<u>Furniture and Fixture</u>	<u>Leasehold improvements</u>	<u>Held for sale machines and equipments</u>	<u>Held for sale Real Estates</u>	<u>Total</u>
	Opening balance, 1 January 2010	147	265	101	-	-
Additions	-	63	67	129	587	846
Disposals	-	(54)	(96)	-	-	(150)
Closing balance, 31 December 2010	147	274	72	129	587	1,209
<u>Accumulated Depreciation:</u>						
Opening balance, 1 January 2010	146	245	101	-	-	492
Depreciation charge for the year	1	18	9	-	-	28
Disposals	-	(52)	(96)	-	-	(148)
Closing balance, 31 December 2010	147	211	14	-	-	372
Net book value as of 31 December 2010	-	63	58	129	587	837

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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

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

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

	<u>Useful life</u>
Furniture and fixtures	4-10 years
Vehicles	5 years
Leasehold improvements	5 years

11. INTANGIBLE ASSETS

	<u>31 December</u> <u>2010</u>	<u>31 December</u> <u>2009</u>
<u>Cost value:</u>		
Opening balance	54	54
Additions	2	-
Closing balance	<u>56</u>	<u>54</u>
<u>Accumulated amortization:</u>		
Opening balance	51	43
Charge for the year	-	8
Closing balance	<u>51</u>	<u>51</u>
<u>Net book values</u>	<u>5</u>	<u>3</u>

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

	<u>Useful life</u>
Licences	3-5

12. BORROWINGS

<u>Short -Term Borrowings</u>	<u>31 December</u> <u>2010</u>	<u>31 December</u> <u>2009</u>
Short-term borrowings	16	1,263
Short-term portions of long-term borrowings	23,694	26,401
Total short-term borrowing	<u>23,710</u>	<u>27,664</u>
<u>Long -Term Borrowings</u>		
Long-term portions of long-term borrowings	4,669	1,079
Total long-term borrowings	<u>4,669</u>	<u>1,079</u>
Total borrowings	<u>28,379</u>	<u>28,743</u>

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12. BORROWINGS (cont’d)

<u>Maturity analysis of borrowings</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Within 1 year	23,710	27,664
Within 1-2 years	4,669	637
Within 2-3 years	-	442
	<u>28,379</u>	<u>28,743</u>

The details of short-term borrowings are as follows:

<u>Currency</u>	<u>Interest rate %</u>	<u>Original Currency</u>	<u>31 December 2010 TL Equivalent</u>
USD	4.50%-6.00%	2,877	4,448
EUR	4.95%-6.50%	9,130	18,708
TL	0%	16	16
Interest accruals			538
TOTAL			<u>23,710</u>

<u>Currency</u>	<u>Interest rate %</u>	<u>Original Currency</u>	<u>31 December 2009 TL Equivalent</u>
USD	6.25%-8.55%	4,500	6,776
EUR	5.95%-8.36%	9,217	19,911
TL	0%	15	15
Interest accruals			962
TOTAL			<u>27,664</u>

The details of long-term borrowings are as follows:

<u>Currency</u>	<u>Interest rate</u>	<u>Original Currency</u>	<u>31 December 2009 TL Equivalent</u>
EUR	4.45%-7.55%	282	577
USD	4.45%-5.75%	2,642	4,085
TL			7
TOTAL			<u>4,669</u>

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12. BORROWINGS (cont'd)

Currency	Interest rate	Original Currency	31 December 2009 TL Equivalent
EUR	%6.95-%7.55	493	1,064
TL			15
Total			<u>1,079</u>

As of 31 December 2010 and 2009 borrowings have fixed interest rates. Borrowings with fixed interest rates exposing the Company to the fair value interest rate risk.

As of 31 December 2010, the Company has thousand TL 13,147 (31 December 2009: thousand TL 4,487) of undrawn borrowing facilities available.

13. TRADE PAYABLES

	31 December 2010	31 December 2009
Trade payables	3	50
Due to related parties (Note 7)	140	162
Total	<u>143</u>	<u>212</u>

14. OTHER PAYABLES AND EXPENSE ACCRUALS

	31 December 2010	31 December 2009
Advances received (*)	710	1,076
Taxes and dues payable	24	23
Social security premiums payable	15	14
Other payables	38	107
Total	<u>787</u>	<u>1,220</u>

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

15. PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

As at 31 December 2010 and 31 December 2009, employee benefits are as follows:

	31 December 2010	31 December 2009
Short-term		
- Unused vacation	37	39
Long-term		
- Provision for termination benefits	18	19

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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15. PROVISION FOR EMPLOYMENT TERMINATION BENEFITS (cont’d)

Under Turkish Labour 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 60th article that has been changed.

The amount payable consists of one month’s salary limited to a maximum of TL 2,517 (2009: TL 2,365) for each period of service at 31 December 2010.

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 2010, 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 5.10% and a discount rate of 10%, resulting in a real discount rate of approximately 4.66% (31 December 2009: annual inflation rate of 4.80% and a discount rate of 11%, resulting in a real discount rate of approximately 5.92%). The anticipated rate of forfeitures is considered. As the maximum liability is revised semi annually, the maximum amount of TL 2,623 effective from 1 January 2011 has been taken into consideration in calculation of provision from employment termination benefits.

	1 January- 31 December 2010	1 January- 31 December 2009
Provision at 1 January	19	7
Charge for the period	(1)	38
Employee termination benefits paid	-	(26)
Provision at 31 December	<u>18</u>	<u>19</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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16. TAXATION ON INCOME

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

	31 December 2010	31 December 2009
<u>Current tax liability:</u>		
Current corporate tax provision	101	-
Less: Prepaid taxes and funds	(22)	-
	<u>79</u>	<u>-</u>
<u>Taxation:</u>		
Current income tax	101	-
Deferred tax (benefit) / expense	(16)	(3,594)
	<u>85</u>	<u>(3,594)</u>

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 non-deductible expenses, and by deducting dividends received from resident companies, other exempt income and investment incentives utilized.

The effective rate of tax in 2010 is 20% (2009: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2010 is 20% (2009: 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.

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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16. TAXATION ON INCOME (cont'd)

Income withholding tax (cont'd)

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.

On October 15, 2009, the Constitutional Court decided to remove the restriction of “2006, 2007 and 2008” from the legislation and this change will enable tax payers to deduct remaining investment allowance exemptions from the incomes of future years. The related resolution was published in the Official Gazette on 8 January 2010. Because the Company did not use the investment incentive in its current tax calculation the effective tax rate is 20%.

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, no further inflation adjustment has been made to the Company’s statutory financial statements in these years.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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16. TAXATION ON INCOME (cont'd)

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% (2009 : 20%) is used.

<u>Deferred Tax (assets)/liabilities:</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Investment incentives to be utilised in the future	(3,702)	(3,614)
Provision for doubtful receivables	(5)	(25)
Impairment in assets held for sale	-	(13)
Inflation accounting and depreciation/amortisation differences of property, plant and equipment and intangible assets	2	(8)
Unused vacation pay	(7)	(8)
Provision for employee termination benefits	(4)	(4)
Finance leasing income accrual	25	-
Other	1	(2)
	<u>(3,690)</u>	<u>(3,674)</u>

Movements of deferred tax liabilities as of 31 December 2010 and 2009 are as follows:

	<u>1 January- 31 December 2010</u>	<u>1 January- 31 December 2009</u>
Opening balance	(3,674)	(80)
Charged to profit or loss for the year	(16)	(3,594)
Closing balance	<u>(3,690)</u>	<u>(3,674)</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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16. TAXATION ON INCOME (cont'd)

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

<u>Reconciliation of taxation:</u>	1 January- 31 December 2010	1 January- 31 December 2009
Profit before tax	474	286
Income tax rate	20%	20%
Expected taxation	(95)	(57)
<u>Tax effects of:</u>		
- Unused investment incentives and carry forward tax losses	168	3,614
- Expenses that are not deductible for income tax	(632)	(22)
- IFRS adjustments not subject to income tax	16	59
- Exemptions	(83)	-
- Tax losses utilised	541	-
	<u>(85)</u>	<u>3,594</u>

17. COMMITMENTS AND CONTINGENCIES

	31 December 2010	31 December 2009
Letters of guarantee given	214	325
	<u>214</u>	<u>325</u>

18. SHARE CAPITAL AND LEGAL RESERVES

As of 31 December 2010 and 2009 the share capital held is as follows:

<u>Shareholders</u>		31 December 2010		31 December 2009
	(%)		(%)	
TE Holding	94.95	8,071	94.95	7,359
Nejat Zafer Ataman	5.00	425	5.00	388
Others	0.05	4	0.05	3
Historical capital	100.00	8,500	100.00	7,750
Inflation adjustment		5,877		6,627
Adjusted capital		<u>14,377</u>		<u>14,377</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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18. SHARE CAPITAL AND LEGAL RESERVES (cont’d)

The Company’s share capital consists of 8,500,000 shares in 2010 (31 December 2009: 7,750,000).

	31 December 2010	31 December 2009
Legal Reserves	96	96
	<u>96</u>	<u>96</u>

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.

Dividends paid in current year have been made from the accounts of “Retained Earnings” per the Company’s statutory financial statements not per its IFRS financial statements

19. FINANCE LEASE

	1 January – 31 December 2010	1 January – 31 December 2009
Finance leasing interest income	3,763	5,021
Finance leasing service revenue	(569)	(284)
	<u>3,194</u>	<u>4,737</u>

20. FINANCE INCOME/EXPENSE

	1 January – 31 December 2010	1 January – 31 December 2009
Foreign exchange gain	19	(106)
Interest income on banks	43	91
Interest expense for borrowings	(1,455)	(2,826)
Other interest	-	(27)
	<u>(1,393)</u>	<u>(2,868)</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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21. OPERATING EXPENSES

	1 January- 31 December 2010	1 January- 31 December 2009
Personal expenses	(1,176)	(1,390)
Not-tax deductible expenses	(389)	(61)
Rent expenses	(148)	(182)
Depreciation and amortization expenses	(28)	(47)
Taxes, levies, duties	(49)	(43)
Electricity, hydro, heating and communication expenses	(70)	(54)
Transportation expenses	(46)	(62)
Consulting expenses	(108)	(89)
Subscription and membership fees	(11)	(28)
Maintenance expenses	(38)	(48)
Impairment for assets held for sale	(224)	(20)
Other expenses	(93)	(22)
	<u>(2,380)</u>	<u>(2,046)</u>

22 . OTHER INCOME AND EXPENSES, NET

	1 January- 31 December 2010	1 January- 31 December 2009
Commission income	40	-
Finance lease expense reflecting income	647	387
Gain on sales of fixed asset	605	85
Loss on finance lease	(568)	(425)
Collection and provision reversal	326	223
Insurance Income	-	182
Other	3	11
	<u>1,053</u>	<u>463</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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23. FOREIGN CURRENCY POSITION

As of 31 December 2010 and 31 December 2009, the Company’s’ asset and liability position in foreign currency in terms of thousand TL is as follows:

			Thousand TL
<u>31 December 2010</u>	<u>USD</u>	<u>EUR</u>	<u>Equivalent</u>
Banks	1,530	427	3,240
Finance lease receivables	5,210	9,689	27,908
Other assets	51	110	304
Borrowings	(5,590)	(9,625)	(28,365)
Other liabilities	(49)	(263)	(615)
<u>Foreign currency position-balance sheet</u>	<u>1,152</u>	<u>338</u>	<u>2,472</u>
<u>Foreign currency position-off balance sheet</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Net position</u>	<u>1,152</u>	<u>338</u>	<u>2,472</u>

			Thousand TL
<u>31 December 2009</u>	<u>USD</u>	<u>EUR</u>	<u>Equivalent</u>
Banks	1,071	906	3,570
Finance lease receivables	6,306	9,959	31,009
Other assets	-	10	21
Borrowings	(4,759)	(9,981)	(28,728)
Other liabilities	(231)	(380)	(1,168)
<u>Foreign currency position-balance sheet</u>	<u>2,387</u>	<u>514</u>	<u>4,704</u>
<u>Foreign currency position-off balance sheet</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Net position</u>	<u>2,387</u>	<u>514</u>	<u>4,704</u>

24. 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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont’d)

(c) Categories of financial instruments

	31 December 2010	31 December 2009
<u>Financial assets:</u>		
Cash and cash equivalents	7,036	4,281
Finance lease receivables	29,352	32,834
<u>Financial liabilities:</u>		
Borrowings	28,379	28,743
Trade payables	143	212

(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 cause foreign currency risk. The Company’s assets and liabilities denominated in foreign currencies are disclosed in Note 23.

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

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24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont’d)

f) Foreign currency risk management (cont’d)

Foreign currency sensitivity

The statement below shows the sensitivity of the Company to USD and EUR 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		EUR Effect	
	2010	2009	2010	2009
Profit	267	539	105	167
(Loss)	(267)	(539)	(105)	(167)

(g) Interest risk management

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 thousand TL 97 (2009: thousand TL 111).

(h) Other price risks

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

(i) 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.

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24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont’d)

(i) Credit risk management (cont’d)

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.

Industry allocation of finance lease receivables is as follows:

	31 December 2010 %	31 December 2009 %
Construction	43.10	44.87
Textile	30.10	28.56
Metal Industry	12.26	10.99
Mechanical Industry	5.62	3.66
Health	2.53	3.56
Other	6.39	8.36
	<u>100.00</u>	<u>100.00</u>

(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.

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

Liquidity risk table (cont'd)

31 December 2010:

	Up to 1 month	1-3 month	3 months -1 year	1-5 years	Total
Cash and cash equivalents	7,037	-	-	-	7,037
Finance lease receivables	1,593	10,125	6,698	10,936	29,352
Total assets	8,630	10,125	6,698	10,936	36,389
Borrowings	16	209	23,485	4,669	28,379
Trade payables (net)	143	-	-	-	143
Total liabilities	159	209	23,485	4,669	28,522
Liquidity position (net)	8,471	9,916	(16,787)	6,267	7,867

31 December 2009:

	Up to 1 month	1-3 month	3 months-1 year	1-5 years	Total
Cash and cash equivalents	4,281	-	-	-	4,281
Finance lease receivables	4,545	4,641	11,143	12,505	32,834
Total assets	8,826	4,641	11,143	12,505	37,115
Borrowings	(2,995)	-	(24,669)	(1,079)	(28,743)
Trade payables (net)	(212)	-	-	-	(212)
Total liabilities	(3,207)	-	(24,669)	(1,079)	(28,955)
Liquidity position (net)	5,619	4,641	(13,526)	11,426	8,160

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24. 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 2010						
<u>Financial assets</u>						
Cash and cash equivalents	7,036	-	-	7,036	7,036	5
Finance lease receivable	-	29,352	-	29,352	29,352	6
<u>Financial liabilities</u>						
Borrowings	-	-	(28,379)	(28,379)	(28,379)	12
Trade payables	-	-	(143)	(143)	(143)	13
31 December 2009						
<u>Financial assets</u>						
Cash and cash equivalents	4,281	-	-	4,281	4,281	5
Finance lease receivable	-	32,834	-	32,834	32,834	6
<u>Financial liabilities</u>						
Borrowings	-	-	(28,743)	(28,743)	(28,743)	12
Trade payables	-	-	(212)	(212)	(212)	13