

**STRATEJİ FACTORİNG
HİZMETLERİ A.Ş.**

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2005

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Strateji Factoring Hizmetleri A.Ş.

1. We have audited the accompanying balance sheet of Strateji Factoring Hizmetleri A.Ş. (the "Company") as at 31 December 2005, and the related statements of income, shareholders' equity and cash flows for the year then ended, all expressed in the equivalent purchasing power of the Turkish Lira as at 31 December 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of 31 December 2005, and the results of its operations and its cash flows for the year then ended, in conformity with International Financial Reporting Standards.

DENETİM SERBEST MALİ MÜŞAVİRLİK A.Ş.

Member of **DELOITTE TOUCHE TOHMATSU**

İstanbul, 14 April 2006

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

BALANCE SHEET AS AT 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

ASSETS

	Notes	31 December 2005	31 December 2004
CURRENT ASSETS			
Cash and cash equivalents	4	428,357	3,807,193
Investments held for trading	5	218	62,407
Factoring receivables (net)	6	37,995,909	18,722,152
Other receivables and current assets	8	53,714	77,109
Total Current Assets		38,478,198	22,668,861
NON CURRENT ASSETS			
Property, plant and equipment	10	324,906	424,417
Other intangible assets	11	60,556	78,812
Other non current assets	9	23,371	-
Total Non-Current Assets		408,833	503,229
TOTAL ASSETS		38,887,031	23,172,090

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

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

BALANCE SHEET AS AT 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

LIABILITIES AND EQUITY

		31 December	31 December
	Notes	2005	2004
CURRENT LIABILITIES			
Bank loans	12	34,067,286	19,160,141
Other payables and expense accruals	13	200,393	116,032
Total Current Liabilities		<u>34,267,679</u>	<u>19,276,173</u>
NON CURRENT LIABILITIES			
Provision for employment termination benefits	15	9,654	-
Other non current liabilities	14	115,590	91,503
Total Non-Current Liabilities		<u>125,244</u>	<u>91,503</u>
EQUITY			
Share capital	17	13,479,684	13,479,684
Legal reserves	17	69,902	69,902
Accumulated Deficit	17	(9,055,478)	(9,745,172)
Total Equity		<u>4,494,108</u>	<u>3,804,414</u>
TOTAL LIABILITIES AND EQUITY		<u><u>38,887,031</u></u>	<u><u>23,172,090</u></u>

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

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.
INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL in terms of the purchasing power of the Turkish Lira at 31 December 2005))

	Notes	Year Ended 31 December 2005	Year Ended 31 December 2004
Revenue	19	6,313,519	2,130,709
Cost of services	20	<u>(218,174)</u>	<u>(34,500)</u>
Gross profit		6,095,345	2,096,209
Other operating income	21	72,204	228,953
Operating expenses	22	(1,719,676)	(1,110,266)
Other operating expenses	23	<u>(212,969)</u>	<u>-</u>
Operating profit		4,234,904	1,214,896
Investment income / (loss)	24	792	(402,498)
Finance costs (net)	25	(3,389,071)	(1,185,016)
Monetary gain / (loss)		<u>(156,931)</u>	<u>(192,363)</u>
Profit/(loss) before tax		<u>689,694</u>	<u>(564,981)</u>
Income tax expense		<u>-</u>	<u>-</u>
Profit/(loss) for the year		<u>689,694</u>	<u>(564,981)</u>

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

STRATEJİ FACTORING HİZMETLERİ A.Ş.

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

	<u>Share Capital</u>	<u>Legal Reserves</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance as of 1 January 2004	11,846,586	69,902	(10,418,536)	1,497,952
Increase in capital	1,633,098	-	-	1,633,098
Loss recovery fund	-	-	1,238,345	1,238,345
Loss for the year	-	-	(564,981)	(564,981)
Balance at 1 January 2005	<u>13,479,684</u>	<u>69,902</u>	<u>(9,745,172)</u>	<u>3,804,414</u>
Profit for the year	-	-	689,694	689,694
Balance at 31 December 2005	<u>13,479,684</u>	<u>69,902</u>	<u>(9,055,478)</u>	<u>4,494,108</u>

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

STRATEJİ FACTORING HİZMETLERİ A.Ş.

CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

	Year Ended 31 December 2005	Year Ended 31 December 2004
OPERATING ACTIVITIES		
Profit for the year	689,694	(564,981)
Adjustments to reconcile net profit to net cash provided by operating activities:		
- Depreciation of property, plant and equipment	99,511	73,139
- Amortization of other intangible assets	18,256	12,470
- Provision for employment termination benefits	9,654	-
- Allowance for factoring receivables	111,847	-
- Interest income	(20,845)	(4,067)
- Finance costs	3,434,051	919,689
- Interest accrual on factoring receivables	(24,424)	(67,714)
Operating cash flows before movements in working capital	4,317,744	368,536
-(Increase) / decrease in factoring receivables	(19,385,603)	(17,918,933)
-(Increase) / decrease in other receivables and current assets	24,449	8,180
-Increase / (decrease) in other payables and current liabilities	87,371	(393,761)
Cash generated from operations	(14,956,039)	(17,935,978)
- Interest paid	(3,518,945)	(637,549)
Net cash from operating activities	(18,474,984)	(18,573,527)
INVESTING ACTIVITIES		
- Interest received	20,845	4,067
- Proceeds on available for sale investments	-	647,437
- Disposal of available for sale investments	62,188	347,003
- Purchases of property, plant and equipment	-	(497,556)
- Purchases of intangible assets	-	(91,282)
- Proceeds on disposal of property, plant and equipment sold	-	153,188
Net cash used in investing activities	83,033	562,857
CASH FLOWS FROM FINANCING ACTIVITIES		
- New borrowings raised	33,891,116	18,878,001
- Repayment of borrowings	(18,878,001)	-
- Capital issued	-	1,633,098
- Loss recovery Fund	-	1,238,217
Net cash (used in) / from financing activities	15,013,115	21,749,316
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(3,378,836)	3,738,646
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	3,807,193	68,547
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	428,357	3,807,193

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

STRATEJİ FACTORING HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

1. GENERAL INFORMATION

Strateji Factoring Hizmetleri Anonim Şirketi ("the Company") is incorporated in Istanbul Turkey. The address of its registered office and principal place of business is Büyükdere Caddesi, Nurol Maslak Plaza A Blok No: 71 K:16. The Company provides export and domestic factoring services on a recourse and non-recourse basis to its clients upon request. The Company employs 25 people as of 31 December 2005 (31 December 2004 : 20 people)

The shareholding structure of the company has been changed during 2004. Marin Holding A.Ş. (the title has been changed as TE Holding A.Ş. as of September 21,2004) was the main shareholder of the Company with its 99.92% ownership as of 31 December 2003 and has transferred its 48.94% share to its present shareholders. Due to change in structure, all members of board of directors have been replaced as of 27 January 2004.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING 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 2005.

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

IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IFRIC 3	Emission Rights
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 5	Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

STRATEJİ FACTORING HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation of financial statements:

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The Company maintains its books of account and prepare their 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”), for the purpose of fair presentation in accordance with Statements of IFRS.

The principal accounting policies adopted are set out below.

Inflation accounting:

Restatement adjustments have been made to the financial statements of the Company to compensate for the effect of changes in the general purchasing power of the Turkish Lira, as of 31 December 2005, in accordance with IAS 29.

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods to be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. Such cumulative rate in Turkey is 35.6% for the three years ended 31 December 2005 based upon the wholesale price index announced by the Turkish State Institute of Statistics (“SIS”).

Although the three year cumulative inflation rate was below the rate indicated in the preceding paragraph, since the majority of the people keep their savings in foreign currencies, the prices of services and goods are set in terms of foreign currencies, interest rates and wages are expressed in terms of the inflation indexes, and the market prices are determined taking into account the losses due to the credit sales including the short term transactions, the economy shows the characteristics of a hyperinflationary environment and therefore IAS 29 needs to be applied to the accompanying financial statements.

The restatement was calculated by means of conversion factors derived from the wholesale price index announced by SIS (1994 index: 100). Such index and the conversion factors used to restate the accompanying financial statements as of the end of each year to 31 December 2005 are given below:

	<u>Index</u>	<u>Conversion Factor</u>
31 December 2002	6,478.8	1.3561
31 December 2003	7,382.1	1.1901
31 December 2004	8,403.8	1.0454
31 December 2005	8,785.7	1.0000

STRATEJİ FACTORING HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Inflation accounting (cont'd):

The annual change in the YTL exchange rate against the US Dollar can be compared with the rates of general price inflation in Turkey according to the WPI as set out below:

<u>Years</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Currency devaluation USD -%	(0.02%)	(3.85%)	(14.6%)	13.5%
WPI inflation -%	4.5%	13.8%	13.9%	30.8%

At 31 December 2005 the exchange rate announced by the Turkish Central Bank (which is a market rate) was YTL 1.3418 = USD 1 (31 December 2004: 1.3421).

The main guidelines for the IAS 29 restatement are as follows:

- All balance sheet amounts not already expressed in terms of the measuring unit current at the balance sheet date are restated by applying a general price index. Corresponding figures for previous periods are similarly restated.
- Monetary assets and liabilities are not restated because they are already expressed in terms of the measuring unit current at the balance sheet date. Monetary items are money held and items to be received or paid in money.
- Non-monetary assets and liabilities are restated by applying, to the initial acquisition cost and any accumulated depreciation, the change in the general price index from the date of acquisition or initial recording to the balance sheet date. Hence, property, plant and equipment, investments and similar assets are restated from the date of their purchase, not to exceed their market value. Depreciation is similarly restated. The components of shareholders' equity are restated by applying the applicable general price index from the dates the components were contributed or otherwise arose.
- All items in the statement of income, except non monetary balance sheet items that have effect on statement of income, are restated by applying the relevant conversion factors from the dates when the income and expense items were initially recorded in the financial statements.
- The gain or loss on the net monetary position is the result of the effect of general inflation and is the difference resulting from the restatement of non-monetary assets, shareholders' equity and income statement items. The gain or loss on the net monetary position is included in net income.

Revenue recognition

Factoring services income is interest income on advances to customers. Commission income is a percentage of the value of invoices subject to factoring. Factoring services income and other income and expenses are recognized on the accrual basis, except commissions for factoring services rendered which are recorded as income when received.

STRATEJİ FACTORING HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, plant and equipment

Property, plant and equipment are carried at cost expressed in terms of purchasing power on 31 December 2005 less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost or valuation of assets, other than land and construction in progress, over their estimated useful lives, using the straight line method.

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.

Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets carried at cost less accumulated depreciation to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of 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.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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.

STRATEJİ FACTORING HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Taxation and deferred income taxes

Income tax expense represents the sum of the tax currently payable and deferred 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 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 to the extent that it is probable that taxable profits will be available against which 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 is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred tax assets and liabilities are also offset.

Provision for Employment Termination Benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company.

International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19") has been applied in the accompanying financial statements as detailed in Note 15.

STRATEJİ FACTORING HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currency transactions

The individual financial statements of each Company entity 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 each entity are expressed in YTL, which is the functional currency of the Company, and the presentation currency for the financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than YTL (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.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognized directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognized directly in equity.

For the purpose of presenting financial statements, the assets and liabilities of the Company's foreign operations (including comparatives) are expressed in Currency Units using exchange rates prevailing on the balance sheet date. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Company's translation reserve. Such translation differences are recognized in profit or loss in the period in which the foreign operation is disposed of.

Leasing - the Company as Lessee

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

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs (see note g).

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

STRATEJİ FACTORING HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments

Financial assets and financial liabilities are recognized on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Investments

Investments are recognized and derecognized on a trade date basis 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, and are initially measured at fair value, plus directly attributable transaction costs.

At subsequent reporting dates, debt securities that the Company has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortized cost using the effective interest rate method, less any impairment loss recognized to reflect irrecoverable amounts. An impairment loss is recognized in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the investment's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Impairment losses are reversed in subsequent periods when an increase in the investment's recoverable amount can be related objectively to an event occurring after the impairment was recognized, subject to the restriction that the carrying amount of the investment at the date the impairment is reversed shall not exceed what the amortized cost would have been had the impairment not been recognized.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value except available-for-sale investments that do not have quoted prices in active markets and whose fair values cannot be reliably measured are stated at cost and restated to the equivalent purchasing power. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, 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.

Factoring Receivables and Factoring Payables

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

STRATEJİ FACTORING HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Provisions for Possible Factoring Receivable Losses

If there is objective evidence that the Company will not be able to collect all amounts due (principal and interest) according to original contractual terms of the receivables; such receivables are considered impaired and classified as “doubtful factoring receivables”. The amount of the loss is measured as the difference between the receivable’s carrying amount and the present value of expected future cash flows discounted at the receivable’s original effective interest rate or as the difference between the carrying value of the receivable and the fair value of collateral, if the receivable is collateralized and foreclosure is probable.

Impairment and uncollectibility are measured and recognized individually for receivables that are individually significant, and on a portfolio basis for a Company of similar receivables that are not individually identified as impaired. The Company ceases to accrue interest on those receivables that are classified as “doubtful factoring receivables” and for which the recoverable amount is determined primarily in reference to fair value of collateral.

The carrying amount of the receivable is reduced to its estimated recoverable amount through use of an allowance for impairment account. A write off is made when all or part of a receivable is deemed uncollectible or in the case of debt forgiveness. Write offs are charged against previously established allowances and reduce the principle amount of a receivable. Recoveries of receivables written off in earlier period are included in income.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the provision for factoring receivable losses expense. Unwinding of the discount is treated as income and remaining provision is then reassessed.

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. The carrying amount of these assets approximates their fair value.

Financial liabilities and equity

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.

STRATEJİ FACTORING HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs.

Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Group uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions.

The use of financial derivatives is governed by the Group's policies approved by the board of directors, which provide written principles on the use of financial derivatives consistent with the Group's risk management strategy.

The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in equity and the ineffective portion is recognised immediately in profit or loss.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, for forecast transactions, any cumulative gain or loss on the hedging instrument recognised in equity is retained in equity until the forecasted transaction occurs. If a hedged transaction is no longer expected to occur, the net cumulative gain or loss recognised in equity is transferred to profit or loss for the period.

Credit risk

The Company's principal financial assets are bank balances and cash, trade and other receivables, and investments.

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings.

The Company's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial instruments (cont'd)

Price Risk

The Company is exposed to exchange rate fluctuations between foreign currencies and New Turkish Lira due to the nature of its business. Certain parts of the interest rates related to borrowings and leasing transactions are based on market interest rates, therefore the Company is exposed to interest rate fluctuations on domestic and international markets..

Liquidity Risk

The Company is generally raising funds by liquidating its short term financial instruments such as collecting its receivables and disposing of marketable securities. The Company's proceedings from these instruments generally approximate their fair values.

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. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Offsetting

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

Use of estimates

The preparation of financial statements in conformity with International Accounting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

4. CASH AND CASH EQUIVALENTS

	31 December 2005	31 December 2004
Cash on hand	997	1,857
Cash at banks	427,360	3,805,336
	<u>428,357</u>	<u>3,807,193</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

4. CASH AND CASH EQUIVALENTS (cont'd)

	31 December 2005	31 December 2004
Cash on hand		
Cash at banks	997	1,857
Demand deposits	427,360	88,052
Time deposits	-	3,715,193
	<u>428,357</u>	<u>3,805,102</u>

Time Deposits

<u>Currency Type</u>	<u>Currency Amount</u>	<u>Interest Rate %</u>	31 December 2004
EUR (*)	1,103,907	2%	2,110,895
USD (*)	1,142,738	2% - 2.55%	1,604,298
			<u>3,715,193</u>

(*) Maturities are between January-May 2005.

5. INVESTMENTS HELD FOR TRADING

	31 December 2005	31 December 2004
Investment Funds	218	62,407
	<u>218</u>	<u>62,407</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

6. FACTORING RECEIVABLES (NET)

	YTL	Foreign Currency Denominated	31 December 2005
Factoring receivables	54,097,473	16,875,233	70,972,706
Less: Reserve for factoring receivable losses	(111,847)	-	(111,847)
Net Factoring Receivables	53,985,626	16,875,233	70,860,859
Factoring payables	(22,494,981)	(10,369,969)	(32,864,950)
Net funds in use	31,490,645	6,505,264	37,995,909

	YTL	Foreign Currency Denominated	31 December 2004
Factoring receivables	24,702,272	6,889,628	31,591,900
Less: Reserve for factoring receivable losses	-	-	-
Net Factoring Receivables	24,702,272	6,889,628	31,591,900
Factoring payables	(9,765,755)	(3,103,993)	(12,869,748)
Net funds in use	14,936,517	3,785,635	18,722,152

Reserve for factoring receivable losses has been determined by reference to past default experience.

7. RELATED PARTY TRANSACTIONS

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 financial or operational decisions.

Trading transactions

	31 December 2005	31 December 2004
<u>Amounts owed by related parties</u>		
Tec Tekstil Dokuma Baskı Matbaa Etiket San.ve Tic.A.Ş.	378,272	184,774
Tet Tekstil Endüstrileri Tic. A.Ş	-	154,273
Tepaş Tekstil Pazarlama A.Ş	210,123	-
Tetaş Makine Tekstil Büro Ekipmanları Dış Tic.A.Ş.	24,470	-
Tetaş Tekstil İml.İth.Dahili Tic.A.Ş.	4,947	-
Tesan Makine Ltd.Şti	14	-
	<u>617,826</u>	<u>339,047</u>
	31 December 2005	31 December 2004
<u>Amounts owed to related parties</u>		
Tetaş Makine Tekstil Büro Ekipmanları Dış Tic.A.Ş.	-	91,299
Tetaş Tekstil İml.İth.Dahili Tic.A.Ş.	-	27,073
Venus Giyim Ltd. Şti.	232	-
	<u>232</u>	<u>118,372</u>

STRATEJİ FACTORING HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

7. RELATED PARTY TRANSACTIONS (cont'd)

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received. No expense has been recognized in the period for bad or doubtful debts in respect of the amounts owed by related parties.

	Year ended 31 December 2005	Year ended 31 December 2004
<u>Commission Income from related parties</u>		
Tec Tekstil Dokuma Baskı Matbaa Etiket San.ve Tic.A.Ş.	-	1,841
Tet Tekstil Endüstrileri Tic. A.Ş	-	1,674
Tepaş Tekstil Pazarlama A.Ş	13,768	-
Venüs Giyim Ltd. Şti.	5,819	1,940
	<u>19,587</u>	<u>5,455</u>
<u>Interest Income from related parties</u>		
Tec Tekstil Dokuma Baskı Matbaa Etiket San.ve Tic.A.Ş.	79,456	38,576
Tet Tekstil Endüstrileri Tic. A.Ş	5,396	42,834
Tesan Makine Ltd.Şti	-	1,230
Tepaş Tekstil Pazarlama A.Ş	2,617	-
Tetaş Tekstil İml.İth.Dahili Tic.A.Ş.	118,322	-
Yatırım Finansal Kiralama A.Ş.	88,669	-
	<u>294,460</u>	<u>82,640</u>
	Year ended 31 December 2005	Year ended 31 December 2004
<u>Services rendered to related parties</u>		
Yatırım Finansal Kiralama A.Ş.	3,781	63,772
	<u>3,781</u>	<u>63,772</u>
<u>Services rendered from related parties</u>		
Yatırım Finansal Kiralama A.Ş.	11,850	6,848
Tet Sigorta Aracılık Hizmetleri A.Ş.	-	7,915
	<u>11,850</u>	<u>14,763</u>
<u>Rent expense paid to related parties</u>		
Yatırım Finansal Kiralama A.Ş.	43,918	43,173
	<u>43,918</u>	<u>43,173</u>

STRATEJİ FACTORING HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

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8. OTHER RECEIVABLES AND CURRENT ASSETS

	31 December 2005	31 December 2004
Prepaid expense	28,857	68,631
Commission and interest income accrual	24,424	-
Prepaid taxes and dues	300	8,478
Other receivables	133	-
	<u>53,714</u>	<u>77,109</u>

9. OTHER NON CURRENT ASSETS

	31 December 2005	31 December 2004
Prepaid expense	23,371	-
	<u>23,371</u>	<u>-</u>

STRATEJİ FACTORING HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

10. PROPERTY, PLANT AND EQUIPMENT

	<u>Vehicles</u>	<u>Furniture and fixtures</u>	<u>Leasehold improvements</u>	<u>Total</u>
<u>Cost or valuation</u>				
Opening balance, 1 January 2004	235,161	144,174	118,221	497,556
Additions	-	-	-	-
Disposals	-	-	-	-
Closing balance, 31 December 2004	<u>235,161</u>	<u>144,174</u>	<u>118,221</u>	<u>497,556</u>
Additions	-	-	-	-
Transfers	-	-	-	-
Disposals	-	-	-	-
Closing balance, 31 December 2005	<u>235,161</u>	<u>144,174</u>	<u>118,221</u>	<u>497,556</u>
	<u>Vehicles</u>	<u>Furniture and fixtures</u>	<u>Leasehold improvements</u>	<u>Total</u>
<u>Accumulated depreciation and impairment</u>				
Opening balance, 1 January 2004	-	-	-	-
Depreciation charge for the year	37,044	20,333	15,762	73,139
Closing balance, 31 December 2004	<u>37,044</u>	<u>20,333</u>	<u>15,762</u>	<u>73,139</u>
Depreciation charge for the year	47,032	28,835	23,644	99,511
Closing balance, 31 December 2005	<u>84,076</u>	<u>49,168</u>	<u>39,406</u>	<u>172,650</u>
Carrying amount at 31 December 2004	<u>198,117</u>	<u>123,841</u>	<u>102,459</u>	<u>424,417</u>
Carrying amount at 31 December 2005	<u>151,085</u>	<u>95,006</u>	<u>78,815</u>	<u>324,906</u>

STRATEJİ FACTORING HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

11. OTHER INTANGIBLE ASSETS

	<u>Rights</u>	<u>Total</u>
<u>Cost</u>		
At 1 January 2004	-	-
Additions	91,282	91,282
At 1 January 2005	91,282	91,282
Additions	-	-
At 31 December 2005	91,282	91,282
<u>Amortization</u>		
At 1 January 2004	-	-
Charge for the year	12,470	12,470
At 1 January 2005	12,470	12,470
Charge for the year	18,256	18,256
At 31 December 2005	30,726	30,726
<u>Carrying amount</u>		
Net book value, as of 31 December 2004	78,812	78,812
Net book value, as of 31 December 2005	60,556	60,556

The intangible assets included above have finite useful lives, over which the assets are amortized.

12. BANK LOANS

The details of the Company's bank loans as at 31 December 2005 are as follows:

<u>Foreign Currency Type</u>	<u>Foreign Currency Amount</u>	<u>Maturity</u>	<u>Weighted Average Interest rate %</u>	<u>31 December 2005</u>
YTL	27,409,831	Within 1 year	15.98%	27,409,831
USD	288,261	Within 1 year	5.55%	386,789
EUR	3,340,287	Within 1 year	3.65%	5,302,705
GBP	418,651	Within 1 year	5.85%	967,961
				<u>34,067,286</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

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12. BANK LOANS (cont'd)

The details of the Company's bank loans as at 31 December 2004 are as follows:

Foreign Currency Type	Foreign Currency Amount	Maturity	Weighted Average Interest rate %	31 December 2004
YTL	12,460,543	Within 1 year	21.62%	12,460,543
EUR	3,342,702	Within 1 year	4.80 %	6,383,977
GBP	117,175	Within 1 year	4.40 %	315,621
				<u>19,160,141</u>

The borrowings are repayable as follows:

	31 December 2005	31 December 2004
On demand or within one year	<u>34,067,286</u>	<u>19,160,141</u>
	<u>34,067,286</u>	<u>19,160,141</u>

13. OTHER PAYABLES AND EXPENSE ACCRUALS

	31 December 2005	31 December 2004
Taxes and dues payable	58,402	41,593
Social security premiums payable	42,189	15,650
Other payables	98,463	58,789
Unearned income	1,339	-
	<u>200,393</u>	<u>116,032</u>

14. OTHER NON CURRENT PAYABLES

	31 December 2005	31 December 2004
Expense accruals	92,174	-
Miscellaneous payables	23,416	91,503
	<u>115,590</u>	<u>91,503</u>

STRATEJİ FACTORING HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

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15. PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

Under the Turkish Labour Law, the Company and its Turkish subsidiaries and associates are required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men). Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to length of service prior to retirement.

The amount payable consists of one month's salary limited to a maximum of YTL 1,727.15 (2004: YTL 1,574.74) for each period of service at 31 December 2005.

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. IFRS require actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2005, 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 10% and a discount rate of 16%, resulting in a real discount rate of approximately 5.45%. The anticipated rate of forfeitures is considered.

	Year ended 31 December 2005	Year ended 31 December 2004
Provision at 1 January	-	-
Charge for the year	9,654	-
Retirement pay paid	-	-
Monetary gain	-	-
Provision at 31 December	9,654	-

16. TAXATION ON INCOME

	31 December 2005	31 December 2004
<u>Current tax liability :</u>		
Current corporate tax provision	-	-
Prepaid taxes and funds	-	-
	-	-
<u>Income tax expense total:</u>		
Current tax	-	-
Deferred tax (benefit) / charge	-	-
	-	-

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

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16. TAXATION ON INCOME (cont'd)

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 year.

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 2005 and following years is 30% (2004: 33%). In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2005 and following years is 30% (2004: 33%).

In Turkey there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within 15 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. Undistributed dividends incorporated in share capital are not subject to income withholding taxes. However, 19.8% withholding tax is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Such allowances may be used to relieve corporation tax liability until the profits reach the calculated level of exemption. If companies fail to make a profit or incur losses, any investment allowance outstanding may be carried forward to following years so as to be deducted from taxable income of subsequent profitable years.

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 2004 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 made to the Company's statutory financial statements in 2005.

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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 30% (2004 :33%) is used.

17. SHARE CAPITAL AND LEGAL RESERVES

As of 31 December 2005 and 2004 the share capital held is as follows:

<u>Shareholders</u>	<u>(%)</u>	<u>31 December 2005</u>	<u>(%)</u>	<u>31 December 2004</u>
TE Holding A.Ş.	50.98	3,313,700	50.98	3,313,700
Teknoloji Elek. Mak. Tek. San. İç ve Dış Tic. A.Ş.	25	1,625,000	25	1,625,000
Venüs Giyim San. Ve Tic. Ltd. Şti.	16	1,040,000	16	1,040,000
Tek Örme San. A.Ş.	8	520,000	8	520,000
Others	0.02	1,300	0.02	1,300
Historical capital	100.00	6,500,000	100.00	6,500,000
Inflation adjustment		6,979,684		6,979,684
Adjusted capital		<u>13,479,684</u>		<u>13,479,684</u>

The company's share capital consists of 32,500,000 shares in 2005 (2004 :32,500,000).

The shareholding structure of the Company has been changed during 2004. TE Holding A.Ş. was the main shareholder of the Company with its 99.92% ownership as of 31 December 2003 and has transferred its 48.94 % shareholding to present shareholders.

During the General Assembly held as of August 5, 2004, the shareholders transferred their receivables, amounting to YTL 1,184,000 to the Company for offsetting prior year losses.

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.

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

17. SHARE CAPITAL AND LEGAL RESERVES (cont'd)

The equity detail of the Company as at 31 December 2005 and 2004 are as follows:

	31 December 2005	31 December 2004
Share capital (*)	13,479,684	11,846,586
Increase in capital	-	1,633,098
Loss recovery fund	-	1,238,345
Legal reserves	69,902	69,902
Net profit / (loss)	689,694	(564,981)
Accumulated loss	(9,745,172)	(10,418,536)
Total Equity	<u>4,494,108</u>	<u>3,804,414</u>

(*) Share capital adjustment difference consists of non-cash capital additions and hence is not subject to restatement as per inflation accounting.

18. COMMITMENTS AND CONTINGENCIES

As of the balance sheet date, the Group has a forward agreement of 1.000.000 U.S. Dollars buy and 1.413.000 YTL sell with the maturity of 29 June 2006.

19. REVENUE

	Year ended 31 December 2005	Year ended 31 December 2004
Factoring services fee	5,651,824	1,935,210
Factoring commission income	661,695	195,499
	<u>6,313,519</u>	<u>2,130,709</u>

20. COST OF SERVICES

	Year ended 31 December 2005	Year ended 31 December 2004
Factoring commission expenses	(218,174)	(34,500)
	<u>(218,174)</u>	<u>(34,500)</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

21. OTHER OPERATING INCOME

	Year ended 31 December 2005	Year ended 31 December 2004
Other miscellaneous income (net)	72,204	228,953
	<u>72,204</u>	<u>228,953</u>

22. OPERATING EXPENSES

	Year ended 31 December 2005	Year ended 31 December 2004
General administrative expenses	(1,601,908)	(1,024,657)
Depreciation and amortization expenses	(117,768)	(85,609)
	<u>(1,719,676)</u>	<u>(1,110,266)</u>

23. OTHER OPERATING EXPENSES

	Year ended 31 December 2005	Year ended 31 December 2004
Allowance for factoring receivable losses	(111,847)	-
Provision for employment termination benefits	(9,654)	-
Other expenses	(91,468)	-
	<u>(212,969)</u>	<u>-</u>

24. INVESTMENT INCOME

	Year ended 31 December 2005	Year ended 31 December 2004
Gain (loss) on sale of investment	792	(402,498)
	<u>792</u>	<u>(402,498)</u>

STRATEJİ FACTORING HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

25. FINANCE COSTS (NET)

	Year ended 31 December 2005	Year ended 31 December 2004
Interest Income	20,845	4,067
Interest on bank loans	(3,434,051)	(919,689)
	<u>(3,413,206)</u>	<u>(915,622)</u>
Exchange gains	4,464,632	829,847
Exchange losses (-)	(4,440,497)	(1,099,241)
	<u>24,135</u>	<u>(269,394)</u>
	<u>(3,389,071)</u>	<u>(1,185,016)</u>

26. FOREIGN CURRENCY POSITION

	<u>USD</u>	<u>EUR</u>	<u>GBP</u>	Equivalent of <u>YTL</u>
<u>31 December 2005</u>				
Cash and cash equivalents	230,023	68,142	4,255	426,658
Factoring receivables	1,031,004	8,537,042	838,751	16,875,232
Factoring payables	(944,796)	(5,176,197)	(382,781)	(10,369,969)
Borrowings	(288,261)	(3,340,287)	(418,651)	(6,657,455)
				<u>274,466</u>

	<u>USD</u>	<u>EUR</u>	<u>GBP</u>	Equivalent of <u>YTL</u>
<u>31 December 2004</u>				
Cash and cash equivalents	1,155,486	1,124,209	4	3,768,312
Factoring receivables	-	2,314,508	916,738	6,889,628
Factoring payables	-	(506,835)	(793,991)	(3,103,993)
Borrowings	-	(3,342,702)	(117,175)	(6,699,599)
				<u>854,348</u>

27. EVENTS AFTER THE BALANCE SHEET DATE

None.