

**STRATEJİ FACTORİNG HİZMETLERİ A. Ş.**

**FINANCIAL STATEMENTS  
PREPARED FOR THE YEAR ENDED  
31 DECEMBER 2007**

*(Translated into English from  
the Original Turkish Report)*

## STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

### INDEPENDENT AUDITORS REPORT

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

We have audited the accompanying financial statements of Strateji Factoring Hizmetleri A.Ş. (the "Company"), which comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

#### Auditor's Responsibility

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

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

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

# Deloitte.

## Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

*DRT Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.*  
DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.  
Member of **DELOITTE TOUCHE TOHMATSU**

Istanbul, 22 May 2008

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**Strateji Factoring Hizmetleri A.Ş.**

**BALANCE SHEET AT 31 DECEMBER 2007**

(Amounts are expressed in New Turkish Lira ("TRY"))

**ASSETS**

		<b>31 December</b>	<b>31 December</b>
		<b>2007</b>	<b>2006</b>
<b>CURRENT ASSETS</b>	<b>Notes</b>		
Cash and cash equivalents	6	2,171,141	1,644,882
Other financial assets	7	488	-
Trade receivables (net)	8	61,943,968	52,419,098
Other receivables and current assets	10	59,193	51,471
<b>Total Current Assets</b>		<b>64,174,790</b>	<b>54,115,451</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	162,294	247,910
Other intangible assets	12	28,809	47,613
Other non-current assets	10	48,982	50,252
<b>Total Non-Current Assets</b>		<b>240,085</b>	<b>345,775</b>
<b>TOTAL ASSETS</b>		<b>64,414,875</b>	<b>54,461,226</b>

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

**Strateji Factoring Hizmetleri A.Ş.**

**BALANCE SHEET AT 31 DECEMBER 2007**

(Amounts are expressed in New Turkish Lira ("TRY"))

**LIABILITIES AND EQUITY**

		<b>31 December</b>	<b>31 December</b>
	<b>Not</b>	<b>2007</b>	<b>2006</b>
<b>CURRENT LIABILITIES</b>			
Borrowings	13	52,768,216	44,893,618
Corporate tax payable	31	-	-
Other payables and expense accruals	14	308,422	206,708
<b>Total Current Liabilities</b>		<b>53,076,638</b>	<b>45,100,326</b>
<b>NON-CURRENT LIABILITIES</b>			
Provision for employment termination benefits	17	13,140	3,123
Provisions	15	-	180,742
Deferred tax liabilities		9,033	-
<b>Total Non-Current Liabilities</b>		<b>22,173</b>	<b>183,865</b>
<b>EQUITY</b>			
Share capital	19	15,479,684	15,479,684
Legal reserves	19	69,902	69,902
Accumulated losses	20	(4,233,522)	(6,372,551)
<b>Total Equity</b>		<b>11,316,064</b>	<b>9,177,035</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>64,414,875</b>	<b>54,461,226</b>

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

**Strateji Factoring Hizmetleri A.Ş.**

**INCOME STATEMENT AS AT 31 DECEMBER 2007**

(Amounts are expressed in New Turkish Lira ("TRY"))

	Notes	<u>2007</u>	<u>2006</u>
Income from factoring operations	28	15,396,816	11,675,122
Cost of factoring services	29	(168,752)	(213,309)
Interest income		79,625	44,167
Interest expense		(8,908,942)	(6,705,470)
Foreign exchange gains/(losses), net		(738,541)	49,005
Operating expenses	30	(3,848,933)	(2,383,819)
Other income / (expenses), net		336,789	217,231
Profit / (loss) before tax and monetary loss		<u>2,148,062</u>	<u>2,682,927</u>
Monetary loss		-	-
Income tax expense	31	(9,033)	-
Net profit / (loss) for the year		<u>2,139,029</u>	<u>2,682,927</u>

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

SHAREHOLDER'S EQUITY AS AT 31 DECEMBER 2007

(Amounts are expressed in New Turkish Lira ("TRY"))

	<u>Capital</u>	<u>Legal Reserves</u>	<u>Accumulated Deficit</u>	<u>Total Equity</u>
Balance as of 1 January 2006	13,479,684	69,902	(9,055,478)	4,494,108
Capital increase	2,000,000	-	-	2,000,000
Net profit / (loss) for the year	-	-	2,682,927	2,682,927
Balance as of 1 January 2007	15,479,684	69,902	(6,372,551)	9,177,035
Net profit / (loss) for the year	-	-	2,139,029	2,139,029
Balance as of 31 January 2007	15,479,684	69,902	(4,233,522)	11,316,064

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

**Strateji Factoring Hizmetleri A.Ş.**

**STATEMENT OF CASH FLOWS AS AT 31 DECEMBER 2007**

(Amounts are expressed in New Turkish Lira ("TRY"))

	Notes	Year Ended 31 December 2007	Year Ended 31 December 2006
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit / (loss) for the year		2,139,029	2,682,927
Adjustments to reconcile net profit to net cash provided by operating activities :			
Depreciation of property, plant and equipment	11	103,766	102,386
Amortization of other intangible assets	12	19,688	19,241
Provision for employment termination benefits	17	10,017	(5,235)
Gain on sale of tangible assets		(20,290)	-
Interest revenue		(7,377)	(3,986)
Provision for factoring receivables	8	608,242	42,410
Operating cash flows before movements in working capital		2,853,075	2,837,743
Change in factoring receivables		(10,133,112)	(14,465,599)
Change in other receivables and current assets	10	(6,452)	(24,638)
Proceeds on disposal of held for trading investments	7	(488)	218
Change in other payables and current liabilities		(78,642)	71,467
Employment termination benefits paid	17	-	(1,296)
Deferred tax liability		9,033	-
<b>Net cash provided from / (used in) operating activities</b>		<b>(7,356,586)</b>	<b>(11,582,105)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchases of property, plant and equipment	11	(39,098)	(25,389)
Purchases of intangible assets	12	(884)	(6,298)
Proceeds on disposal of tangible assets		41,238	-
Interest revenue		3,986	-
<b>Net cash provided from / (used in) investing activities</b>		<b>5,242</b>	<b>(31,687)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
New loans raised, (net)	13	7,874,212	10,826,331
Capital increase		-	2,000,000
<b>Net cash provided from / (used in) financing activities</b>		<b>7,874,212</b>	<b>12,826,331</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>522,868</b>	<b>1,212,539</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>1,640,896</b>	<b>428,357</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	6	<b>2,163,764</b>	<b>1,640,896</b>

## Strateji Factoring Hizmetleri A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (Amounts are expressed in New Turkish Lira ("TRY"))

#### 1. GENERAL INFORMATION

Strateji Factoring Hizmetleri Anonim Şirketi ("Company") is incorporated in İstanbul, Turkey. The address of its registered office and principal place of business is Nurol Maslak Plaza A Blok Büyükdere Cad. No:71 K:16 Maslak –İSTANBUL.

The Company is currently organized into one operating division – factoring, import and export factoring.

Principal activities of the Company are as follows:

Factoring – factoring of trade receivables of serviced entities.

The number of employees as of 31 December 2007 is 39 (31 December 2006: 25).

#### 2. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board ("the IASB") and the International Financial Reporting Interpretations Committee ("IFRIC") of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2007. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Company's accounting policies in the following areas:

- IFRS 7, "Financial Instruments : Disclosures"
- IAS 1, "Presentation of Financial Statements"

##### IFRS 7, "Financial Instruments: Disclosures"

This standard comprises the explanations related to the significance of the financial instruments of the Company, nature and the scope of the risks caused by those financial instruments. New explanations are incorporated. Although there is not an effect of those standards on the financial results, compared data of previous periods are revised.

##### IAS 1, "Presentation of financial statements"

This amendment requires the Company to make new disclosures to enable users of the financial statements to evaluate the Company's objectives, policies and processes for managing capital.

##### Standards, amendments and interpretations effective in 2007 but not relevant to the operations of the Company.

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but they are not relevant to the Company's operations:

**Strateji Factoring Hizmetleri A.Ş.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**  
(Amounts are expressed in New Turkish Lira ("TRY"))

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

Standards, amendments and interpretations effective in 2007 but not relevant to the operations of the Company (cont'd).

- IFRS 4, "Insurance contracts",
- IFRIC 7, "Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies",
- IFRIC 8, "Scope of IFRS 2",
- IFRIC 9, "Reassessment of embedded derivatives",
- IFRIC 10, "Interim financial reporting and impairment".

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

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

- |  |   |
|--|---|
| • IFRIC 11, "IFRS 2 – Group and treasury share transactions"   | Effective for annual periods beginning on or after 1 March 2007   |
| • IAS 23, "(Amendment) Borrowing costs"  | Effective for annual periods beginning on or after 1 January 2009 |
| • IFRS 8, "Operating segments"   | Effective for annual periods beginning on or after 1 January 2009 |
| • IFRIC 12, "Service concession arrangements"  | Effective for annual periods beginning on or after 1 January 2008 |
| • IFRIC 13, "Customer loyalty programmes"  | Effective for annual periods beginning on or after 1 July 2008    |
| • IFRIC 14, "IAS 19- The limit on a defined benefit asset, minimum funding requirements and their interaction" | Effective for annual periods beginning on or after 1 January 2008 |
| • IFRS 2, "Share-based Payment" Amendment relating to vesting conditions and cancellations                     | Effective for annual periods beginning on or after 1 January 2009 |
| • IFRS 3, "Business Combinations"  | Effective for annual periods beginning on or after 1 July 2009    |
| • IAS 27, "Consolidated and Separate Financial Statements"   |   |
| • IAS 28, "Investments in Associates"  |   |
| • IAS 31 "Interests in Joint Ventures"   |   |
| Comprehensive revision on applying the acquisition method  |   |

**Strateji Factoring Hizmetleri A.Ş.**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**  
(Amounts are expressed in New Turkish Lira ("TRY"))

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

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

- IAS 1, "Presentation of Financial Statements" Effective for annual periods beginning on or after 1 January 2009
- IAS 32, "Financial Instruments: Presentation" Amendments relating to disclosure of puttable instruments and obligations arising on liquidation

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

**3. SIGNIFICANT ACCOUNTING POLICIES**

Statement of compliance:

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

Basis of preparation of financial statements:

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments.

Basis of presentation of financial statements:

The Company maintains its books of account and prepare 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 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 consolidated 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 recognized over the fair value of receivables collected, or expected to be collected. Estimated customer returns, deductions and provisions are reduced from the revenue generated.

## Strateji Factoring Hizmetleri A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007 (Amounts are expressed in New Turkish Lira ("TRY"))

#### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

##### Revenue recognition (cont'd)

Income from factoring operations are sourced from interest revenue generated over cash payments to customers. Factoring commissions revenue is generated from commission charges to invoices of customers' transactions, based on pre-defined percentages. Income from factoring operations, and commissions revenue are journalised on accrual basis.

##### *Dividend and interest revenue*

Interest revenue on financial assets is accrued in relevant period, based on effective interest rate that discounts estimated future cash flows to be generated from financial asset over its useful life, to the balance sheet date.

##### Property, plant and equipment

Property, plant and equipment acquired before 1 January 2006 are carried at cost expressed in terms of purchasing power on 31 December 2005 are stated at cost less accumulated depreciation and any accumulated impairment losses. The ones acquired in or after 1 January 2006 are carried at cost less accumulated depreciation and any impairment loss.

Properties in the course of construction for production, rental or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognized impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalized in accordance with the Company's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is charged so as to write off the cost or valuation of assets, other than land and properties under construction, 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.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

(Amounts are expressed in New Turkish Lira ("TRY"))

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

Intangible assets (cont'd)

Computer software

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

Trademarks and Licenses

Purchased trade marks and licenses, are presented on their historical costs. Trademarks and licenses have limited useful lifes, and presented as costs less accumulated depreciation in financial statements. Trademarks and licenses purchased, are subject to straight line depreciation over their estimated useful lifes (15-20 years).

Impairment of tangible and intangible assets except goodwill

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets 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 for which the estimates of future cash flows have not been adjusted.

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**  
(Amounts are expressed in New Turkish Lira ("TRY"))

**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.

*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.

*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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

(Amounts are expressed in New Turkish Lira ("TRY"))

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Retirement pay provision**

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19").

The retirement benefit obligation recognised in the balance sheet represents the present value of the defined benefit obligation.

**Foreign currency transactions**

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

**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.

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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**  
(Amounts are expressed in New Turkish Lira ("TRY"))

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Financial Instruments**

Financial assets, except for financial assets whose adjustments on fair value are recognized in profit and loss, are recognized in fair value less costs associated with the acquisition of the asset. 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.

**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**

Interest-bearing financial liabilities are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (less 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.

Effective interest rate method is essentially the calculation of amortized cost of financial liability, and allocation of interest expense to the relevant period. Effective interest rate, is the rate that discounts estimated future cash flows expected from holding the financial asset over its useful life, to its present value.

**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.

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007  
(Amounts are expressed in New Turkish Lira ("TRY"))**

**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Factoring receivables and factoring payables**

Factoring receivables, are presented on financial statements in discounted amounts less estimated provisions in collectibility, that corresponds to fair value of the factoring receivables. Factoring payables, are presented on financial statements in discounted amounts less advances given for factoring receivables, interest and commissions expenses.

**Provisions for factoring losses**

If Company has objective evidence regarding the uncollectibility of the receivables that are subject of a factoring agreement, these receivables are considered to impaired in value, and classified as "doubtful factoring 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 factoring receivables are reduced to their net realisable values. Factoring 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 factoring receivables and associated provisions journalised previously, from accounts. Once a factoring 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.

**Credit risk management**

Credit risk refers to the risk that 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 the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Trade 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 and, where appropriate, credit guarantee insurance cover is purchased.

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**3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

**Credit risk management (cont'd)**

The Company does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds and financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The distribution of Company's domestic and foreign factoring receivables into industries, is as follows.

	31 December 2007 <u>TRY</u>	31 December 2006 <u>TRY</u>
Iron and steel	-	72,023
Textile	20,637,432	12,295,298
Automotive	-	183,004
Nutrition	8,670,206	12,615,013
Construction	4,110,218	-
Manufacturing	5,918,324	14,904,065
Paper production	4,688,090	-
Forestry	-	353,888
Electrical appliances	-	944,273
Mining	867,162	-
Metallurgy	3,656,377	1,006,100
Transportation	2,172,948	1,254,709
Retail	1,684,959	659,857
Pharmaceutical and chemical	5,452,098	4,377,375
Others	4,086,154	3,753,493
	<u>61,943,968</u>	<u>52,419,098</u>

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**4. EARNINGS PER SHARE**

There were no dilutive equity instruments outstanding, that would require the calculation of separate diluted earnings per share. The calculation of basic earnings per share attributable to ordinary equity holders of the parent is as follows:

	1 January – 31 December 2007	1 December – 31 December 2006
Weighted average number of ordinary shares outstanding during the period (in full)	8,500,000	8,500,000
Net profit for the year attributable to equity holders of the parent	2,139,029	2,682,927
Less: Profit for the year from discontinued operation	-	-
Net profit for the purposes of basic earnings per share from continuing operations	2,139,029	2,682,927
Basic earnings per share from continuing operations	0,25165	0,3156
Profit for the year from discontinued operation	-	-
Basic earnings per share from discontinued operation	-	-

**Impact of changes in accounting policy**

There are no change in accounting policies in the current year.

**5. DIVIDENDS**

Company has not distributed dividends in the current year.

**6. CASH AND CASH EQUIVALENTS**

	31 December 2007	31 December 2006
Cash on hand	290	2,585
Cash at banks		
Demand deposits	892,206	191,498
Time deposits	1,278,645	1,450,799
	<u>2,171,141</u>	<u>1,644,882</u>

<u>Currency Type</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>31 December 2007</u>
USD	% 5,50	08.01.2008	1.262.547
TRY	% 11,69	11.01.2008	16.098
			<u>1.278.645</u>

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**6. CASH AND CASH EQUIVALENTS (cont'd)**

<u>Currency Type</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>31 December 2006</u>
USD	% 5,60	12.01.2007	1.443.885
TRY	% 16,75	04.01.2007	6.914
			<u>1.450.799</u>

Reconciliation of cash and cash equivalents amount in balance sheet and cash flow statement:

	<u>31 December 2007</u>	<u>31 December 2006</u>
Total cash and cash equivalents	2.171.141	1.644.882
Interest accrual	(7.377)	(3.986)
	<u>2.163.764</u>	<u>1.640.896</u>

**7. OTHER FINANCIAL ASSETS**

	<u>31 December 2007</u>	<u>31 December 2006</u>
a) Held for trading investments	488	-
b) Available for sale investments	-	-
c) Held for maturity investments	-	-
	<u>488</u>	<u>-</u>

**Investments held for trading**

	<u>31 December 2007</u>	<u>31 December 2006</u>
Investment funds	488	-
	<u>488</u>	<u>-</u>

Analysis of held-for-trading debt security investments based on the remaining period to the contractual maturity date as of 31 December 2007 is as follows:

	<u>31 December 2007</u>	<u>31 December 2006</u>
Within one year	488	-
In the second year	-	-
In the third year	-	-
In the fourth year	-	-
In the fifth year	-	-
After five years	-	-
	<u>488</u>	<u>-</u>

**Strateji Factoring Hizmetleri A.Ş.**

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**8. TRADE RECEIVABLES**

	31 December 2007 <u>TRY</u>	31 December 2006 <u>TRY</u>
<b><u>Current trade receivables:</u></b>		
Domestic factoring receivables	152,695,209	93,945,954
Export factoring receivables	18,789,939	7,996,221
Doubtful factoring receivables	730,412	122,170
Factoring receivables in aggregate	<u>172,215,560</u>	<u>102,064,345</u>
Provision for doubtful factoring receivables	(730,412)	(122,170)
Factoring receivables	<u>171,485,148</u>	<u>101,942,175</u>
Factoring payables	(109,541,180)	(49,523,077)
Factoring receivables (net)	<u>61,943,968</u>	<u>52,419,098</u>

Provision for doubtful factoring receivables is estimated based on prior year experiences and legal processes entailing the receivables.

The distribution of factoring receivables to relevant currency types are as follows :

<u>Currency Type</u>	<u>Original Amount</u>	<u>31 December 2007 TRY</u>
USD	220,044	256,285
EUR	2,653,253	4,537,594
GBP	910,596	2,117,953
CHF	171	176
TRY		55,031,960
Total		<u>61,943,968</u>

<u>Currency Type</u>	<u>Original Amount</u>	<u>31 December 2006 TRY</u>
USD	401,344	564,129
EUR	2,031,848	3,761,967
GBP	462,145	1,274,087
TRY		46,818,915
Total		<u>52,419,098</u>

USD 220,044, EUR 2,653,253 and GBP 910,596 worth of factoring receivables are subject to Libor + variable interest rates. (2006: USD 401,344 , EUR 2,031,848 and GBP 462,145)

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**NOTES TO THE FINANCIAL STATEMENTS  
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**8. TRADE RECEIVABLES (cont'd)**

The details of guarantees received against factoring receivables as of 31 December 2007 and 31 December 2006 are as follows :

	31 December 2007 TRY	31 December 2006 TRY
Customer notes	36,799,563	6,479,383
Customer cheques	58,865,870	62,312,269
Mortgages	17,568,590	10,434,000
Pledges on business enterprise	812,380	-
Pledges on vehicles	716,009	-
	<u>114,762,412</u>	<u>79,225,652</u>

As of balance sheet date, the Company's factoring receivables which are overdue less than 90 days is amounting to TRY 1,204,150. The Company does not recognize allowance considering the fact that there is no substantial risk regarding the recoverability of such factoring receivables. The unmatured portion of such overdue receivables is TRY 9,366,788 and aging of the total amount is as follows:

	<u>31 December 2007</u>
Up to 30 days	860,685
Between 30 – 60 days	238,060
Between 60 – 90 days	105,405
Portion not due as of balance sheet date	9,366,788
	<u>10,570,938</u>

**Guarantees:**

	<u>31 December 2007</u>
Mortgages	1,350,000
Notes	5,374,686
Cheques	4,501,993
	<u>11,226,679</u>

In determining the recoverability of the factoring 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 many customers. Accordingly, the Company management believes that there is no further credit allowance need in excess of the allowance for doubtful receivables in the accompanying financial statements.

## Strateji Factoring Hizmetleri A.Ş.

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

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#### 8. TRADE RECEIVABLES (cont'd)

The movement of the doubtful factoring receivables as of 31 December 2007 is as follows:

	Year ending 31 December 2007	Year ending 31 December 2006
Balance at beginning of the year	122,170	111,847
Provision charge for the current year	608,242	42,410
Collected doubtful receivables	-	(32,087)
Balance at the end of the year	<u>730,412</u>	<u>122,170</u>

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

	<u>31 December 2007</u>
Up to 90 days	446,823
Between 90 – 180 days	187,165
Between 180 – 360 days	9,695
360 days and above	-
Portion not due as of balance sheet date	<u>86,729</u>
	<u>730,412</u>

There is no guarantees obtained against doubtful factoring receivables as of balance sheet date.

#### 9. RELATED PARTY TRANSACTIONS

Whenever a party participating in a transaction with another party on which it has a significant influence and the ability to control operational decisions, transactions are considered as a related party transaction.

##### Trade transactions

During the year, the Company entered into the following trading transactions with related parties:

	<u>31 December 2007</u>	<u>31 December 2006</u>
<u>Factoring receivables from related parties</u>		
Tec Tekstil Dokuma Baskı Matbaa Etiket San.ve Tic.A.Ş.	396,086	52,476
Tet Tekstil Endüstrileri Tic. A.Ş.	1,626,657	743,516
Tepaş Tekstil Pazarlama A.Ş.	-	796,754
Tetaş Makine Tekstil Büro Ekipmanları Dış Tic.A.Ş.	-	-
Tetaş Tekstil İmalat İthalat Dahili Tic.A.Ş.	3,615,950	250,182
Tesan Makine Ltd.Şti	201,713	-
Venüs Giyim San. ve Tic. A.Ş.	1,337,535	1,355
	<u>7,177,941</u>	<u>1,844,283</u>

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

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**9. RELATED PARTY TRANSACTIONS (cont'd)**

**Trade transactions (cont'd)**

**Payables to related parties:**

	<u>31 December 2007</u>	<u>31 December 2006</u>
Tetaş Tekstil İmalat İthalat Dahili Tic. A.Ş.	10,137,328	-

	<u>Year ended 31 December 2007</u>	<u>Year ended 31 December 2007</u>
<b><u>Interest revenue from related parties :</u></b>		

Tetaş Tekstil İmalat İthalat Dahili Tic.A.Ş.	205,363	107,592
Tepaş Tekstil Pazarlama A.Ş	54,093	27,196
Tetaş Makine Tekstil Büro Ekipmanları Dış Tic.A.Ş.	-	1,617
Temat Kırtasiye Büro Ekipmanları Tekstil San A.Ş.	3,881	108,380
Tec Tekstil Dokuma Baskı Matbaa Etiket San.ve Tic.A.Ş.	55,083	15,427
Tet Tekstil Endüstrileri Tic. A.Ş.	493,185	100,585
Tesan Tekstil Makineleri San. Ve Tic. A.Ş.	2,567	7,887
Venüs Giyim San. Ve Tic. A.Ş.	146,376	-
	<u>960,548</u>	<u>368,684</u>

**Commission revenue from related parties :**

Tetaş Tekstil İmalat İthalat Dahili Tic. A.Ş.	4,982	-
Tetaş Makine Tekstil Büro Ekipmanları Dış Tic.A.Ş.		2,640
Venüs Giyim San. ve Tic. A.Ş.	22,360	4,179
Tepaş Tekstil Pazarlama A.Ş	6,014	5,710
Temat Kırtasiye Büro Ekipmanları Tekstil San A.Ş.	71	2,837
Tec Tekstil Dokuma Baskı Matbaa Etiket San.ve Tic.A.Ş.	1,411	471
Tet Tekstil Endüstrileri Tic. A.Ş.	4,117	4,017
Tesan Tekstil Makineleri San. ve Tic. A.Ş.	267	-
	<u>39,222</u>	<u>19,854</u>

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**9. RELATED PARTY TRANSACTIONS (cont'd)**

**Trade transactions (cont'd)**

	Year ended 31 December 2007	Year ended 31 December 2006
<u>Services obtained from related parties:</u>		
Yatırım Finansal Kiralama A.Ş.	-	13.675
Tet Sigorta Aracılık Hizmetleri A.Ş.	10.634	9.178
Temat Kırtasiye Büro Ekipmanları Tekstil San. Ve Tic. A.Ş.	2.226	1.034
	<u>12.860</u>	<u>23.887</u>
 <u>Rent expenses to related parties :</u>		
Yatırım Finansal Kiralama A.Ş.	77.832	57.680
	<u>77.832</u>	<u>57.680</u>

**Other transactions**

	Year ended 31 December 2007	Year ended 31 December 2006
<u>Remuneration of key management personnel</u>		
Short-term benefits	735.053	626.583
	<u>735.053</u>	<u>626.583</u>

**10. OTHER RECEIVABLES AND ASSETS**

	31 December 2007	31 December 2006
<u>Other receivables and current assets</u>		
Prepaid expenses	40,194	21,114
Income accruals	16,776	26,248
Prepaid taxes and dues	864	442
Advances given	1,359	3,243
Other	-	424
	<u>59,193</u>	<u>51,471</u>
 <u>Other non-current assets</u>		
Deposits and guarantees given	48,982	23,274
Prepaid expenses	-	26,978
	<u>48,982</u>	<u>50,252</u>

NOTES TO FINANCIAL STATEMENTS  
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11. PROPERTY, PLANT AND EQUIPMENT (NET)

<u>Cost value</u>	<u>Buildings</u>	<u>Furniture and fixtures</u>	<u>Vehicles</u>	<u>Leasehold improvements</u>	<u>Total</u>
Opening balance as of 1 January 2006	-	144,176	235,161	118,221	497,558
Additions	-	23,656	-	1,733	25,389
Disposals	-	-	-	-	-
Closing balance as of 31 December 2006	-	167,832	235,161	119,954	522,947
Additions	18,439	15,730	-	4,929	39,098
Disposals	-	-	(67,498)	-	(67,498)
Closing balance as of 31 December 2007	18,439	183,562	167,663	124,883	494,547
Carrying value as of 31 December 2007	18,439	183,562	167,663	124,883	494,547

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

	Buildings	Furniture and fixtures	Vehicles	Leasehold improvements	Total
<u>Accumulated depreciation :</u>					
Opening balance as of 1 January 2006	-	49,168	84,076	39,408	172,652
Charge of the year	-	31,537	47,032	23,816	102,385
Closing balance as of 31 December 2006	-	80,705	131,108	63,224	275,037
Charge of the year	31	36,652	42,605	24,478	103,766
Disposals	-	-	(46,550)	-	(46,550)
Closing balance as of 31 December 2007	31	117,357	127,163	87,702	332,253
Net book value as of 31 December 2006	-	87,127	104,053	56,730	247,190
Net book value as of 31 December 2007	18,408	66,205	40,500	37,181	162,294

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**11. PROPERTY, PLANT AND EQUIPMENT (cont'd)**

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

	<u>Useful life</u>
Machinery and equipment	5 years
Vehicles	5 years
Furniture and fixtures	5 years
Leasehold improvements	5 years

**12. OTHER INTANGIBLE ASSETS**

	<u>Rights</u>	<u>Total</u>
<u>Cost value</u>		
Opening balance as of 1 January 2006	91,282	91,282
Additions	6,298	6,298
Disposals	-	-
Closing balance as of 1 January 2007	97,580	97,580
Additions	884	884
Disposals	-	-
Closing balance as of 31 December 2007	98,464	98,464
<u>Accumulated amortisation</u>		
Opening balance as of 1 January 2006	30,726	30,726
Charge of the year	19,241	19,241
Closing balance as of 1 January 2007	49,967	49,967
Charge of the year	19,688	19,688
Closing balance as of 31 December 2007	69,655	69,655
<u>Net book values</u>		
Net book value as of 31 December 2006	47,613	47,613
Net book value as of 31 December 2007	28,809	28,809

The following useful lives are used in the calculation of amortisation

Rights	5 years
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**13. BORROWINGS**

Company's bank borrowings are as follows as of 31 December 2007 :

	<u>31 December 2007</u>	<u>31 December 2006</u>
<u>Short term borrowings</u>		
Short term borrowings	52,768,216	44,893,618
Short term portion of long term borrowings	-	-
Total short term borrowings	<u>52,768,216</u>	<u>44,893,618</u>
<u>Long term borrowings</u>		
Long term portion of long term borrowings	-	-
Total long term borrowings	<u>-</u>	<u>-</u>
Total borrowings	<u>52,768,216</u>	<u>44,893,618</u>

The borrowings are repayable as follows:

	<u>31 December 2007</u>	<u>31 December 2006</u>
To be paid within 1 year	52,768,216	44,893,618
To be paid between 1-2 years	-	-
To be paid between 2-3 years	-	-
To be paid between 3-4 years	-	-
TOTAL	<u>52,768,216</u>	<u>44,893,618</u>

<u>Currency Type</u>	<u>Interest rate %</u>	<u>Original Amount</u>	<u>31 December 2007</u>
TRY	% 16.75 - % 18.30	-	45,725,913
USD	% 5.63 - % 7.03	220,837	257,209
EURO	% 4.88 - % 6.69	2,342,229	3,999,179
GBP	% 6.75 - % 7.55	966,281	2,247,473
Interest expense accruals			538,442
			<u>52,768,216</u>

<u>Currency Type</u>	<u>Interest rate %</u>	<u>Original Amount</u>	<u>31 December 2006</u>
TRY	% 20.25 - % 22.50	-	39,299,600
USD	% 4.82 - % 7.47	395,952	556,550
EURO	% 4.92 - % 5.73	1,763,033	3,264,256
GBP	% 6.57 - % 7.36	454,488	1,252,979
Interest expense accruals			520,233
			<u>44,893,618</u>

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**13. BORROWINGS (cont'd)**

Interest rates on borrowings are compound interest rates.

TRY 45,725,913 (2006: TRY 39,299,600) worth of bank borrowings have fixed interest rates, exposing the Company to interest risk. TRY 36,813.21 TRY of the balance is a borrowing with 0% interest rate for SSK premiums payments. Other borrowings, which are subject to variable interest rates, expose the Company to cash management risk.

As of 31 December 2007, Company has an unused credit limit worth of 40,773,735 TRY.

**14. OTHER PAYABLES AND EXPENSE ACCRUALS**

	31 December 2007	31 December 2006
Taxes and dues payable	156,170	153,757
Commissions payable to factoring agencies	67,549	37,838
Unused vacation pay	49,627	-
Other	35,076	15,113
	<u>308,422</u>	<u>206,708</u>

**15. PROVISIONS**

	31 December 2007	31 December 2006
<u>Long term provisions</u>		
Provision for factoring losses	-	180,742
	<u>-</u>	<u>180,742</u>

**16. TAXATION ON INCOME**

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. Provision is calculated for deferred tax assets, if their recoverability is uncertain.

For calculation of deferred tax asset and liabilities, the rate of 20% (2006: 20%) is used.

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**16. TAXATION ON INCOME (cont'd)**

	<u>31 December</u> <u>2007</u>	<u>31 December</u> <u>2006</u>
<u>Temporary differences</u>		
Restatement and depreciation / amortisation differences of property, plant and equipment and other intangible assets	(60,870)	(66,337)
Provision for employee termination benefits	13,140	3,123
Unused vacation pay	49,627	-
Tax losses carried forward	-	2,264,245
Adjustment on borrowings	(47,060)	(20,680)
	<u>(45,163)</u>	<u>2,180,351</u>

The unused tax losses accumulated as of balance sheet date, and relevant expiration dates are as follows :

	<u>31 December</u> <u>2007</u>	<u>31 December</u> <u>2006</u>
Expiring in 2007	-	510,568
Expiring in 2009	221,304	1,753,677
	<u>221,304</u>	<u>2,264,245</u>

	<u>31 December</u> <u>2007</u>	<u>31 December</u> <u>2006</u>
<u>Deferred Tax Assets / (Liabilities)</u>		
Restatement and depreciation / amortisation differences of property, plant and equipment and other intangible assets	(12,174)	(13,267)
Provision for employee termination benefits	2,628	625
Unused vacation pay	9,925	-
Tax losses carried forward	-	452,849
Adjustment on borrowings	(9,412)	(4,136)
Deferred tax assets / (liabilities)	(9,033)	436,071
Provision	-	(436,071)
Deferred Tax Asset / (Liability) (net)	<u>(9,033)</u>	<u>-</u>

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**17. PROVISION FOR EMPLOYEE TERMINATION BENEFITS**

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

The amount payable consists of one month's salary limited to a maximum of TRY 2,030.19 (2006: TRY 1,857.44) for each period of service at 31 December 2007.

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 2007, 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% and a discount rate of 11%, resulting in a real discount rate of approximately 5,71% ( 31 December 2006: 5.71%). The anticipated rate of forfeitures is considered. As the maximum liability is revised semi annually, the maximum amount of TRY 2,087.92 effective from 1 January 2008 has been taken into consideration in calculation of provision from employment termination benefits.

	Year ended 31 December 2007	Year ended 31 December 2006
Provision at 1 January	3,123	9,654
(Provision written-off) / Current year charge	10,017	(5,235)
Retirement pay provision paid	-	(1,296)
Provision at 31 December	<u>13,140</u>	<u>3,123</u>

## Strateji Factoring Hizmetleri A.Ş.

### NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2007

(Amounts are expressed in New Turkish Lira ("TRY"))

#### 18. COMMITMENTS AND CONTINGENCIES

	31 December 2007 TRY	31 December 2006 TRY
<u>Guarantees given</u>		
Legal claims	433,353	85,211
Other banks	41,646,209	37,317,925
	<u>42,079,562</u>	<u>37,403,136</u>

The guarantee letters presented to courts for legal claims are for legal cases against doubtful factoring receivables.

Company presented cheques and notes as guarantees to banks for borrowings obtained.

#### 19. SHARE CAPITAL AND LEGAL RESERVES

As of 31 December 2007 and 31 December 2006, the share capital held is as follows :

Shareholders	(%)	31 December 2007	(%)	31 December 2006
TE Holding A.Ş.	48.43	4,116,550	48.43	4,116,550
Teknoloji Elekt. Mak. Tekst. San. A.Ş.	23.75	2,018,750	23.75	2,018,750
Venüs Giyim Sanayi ve Ticaret A.Ş.	15.20	1,292,000	15.20	1,292,000
Tek Örme Sanayi ve Ticaret A.Ş.	7.60	646,000	7.60	646,000
Nejat Zafer Ataman	5.00	425,000	5.00	425,000
Erol Günendi	0.01	850	0.01	850
Moris Yaffee	0.01	850	0.01	850
Nominal capital	100.00	8,500,000	100.00	8,500,000
Inflation adjustment		6,979,684		6,979,684
Adjusted capital		<u>15,479,684</u>		<u>15,479,684</u>

	31 December 2007 TRY	31 December 2006 TRY
Legal reserves	<u>69,902</u>	<u>69,902</u>
	<u>69,902</u>	<u>69,902</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.

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**NOTES TO FINANCIAL STATEMENTS  
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**20. ACCUMULATED LOSSES**

	31 December 2007 <u>TRY</u>	31 December 2006 <u>TRY</u>
Accumulated lossees	(4,233,522)	(6,372,551)
	<u>(4,233,522)</u>	<u>(6,372,551)</u>

**21. FOREIGN CURRENCY POSITION**

<u>31 December 2007</u>	US\$	EURO	CHF	GBP	TRY <u>Balance</u>
Cash and cash equivalents	1,289,199	369,331	-	78,635	1,737,165
Factoring receivables	256,285	4,537,594	176	2,117,953	6,912,008
Other current assets	332	345	-	-	677
Borrowings	(259,317)	(4,080,245)	(127)	(2,271,111)	(6,610,800)
<b>Net position</b>	<b>1,286,499</b>	<b>827,025</b>	<b>49</b>	<b>(74,523)</b>	<b>2,039,050</b>

<u>31 December 2006</u>	USD	EURO	CHF	GBP	TRY <u>Balance</u>
Cash and cash equivalents	1,463,666	80,392	-	32,357	1,576,415
Factoring receivables	564,129	3,761,967	-	1,274,087	5,600,183
Other current assets	302	-	-	-	302
Borrowings	(573,738)	(3,325,329)	-	(1,277,297)	(5,176,364)
Other non current assets	-	(374)	-	-	(374)
<b>Net position</b>	<b>1,454,359</b>	<b>516,656</b>	<b>-</b>	<b>29,147</b>	<b>2,000,162</b>

**22. GOVERNMENT GRANTS**

None.

**23. BUSINESS COMBINATIONS**

None.

**24. BUSINESS AND GEOGRAPHICAL SEGMENTS**

None.

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**NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2007**

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**25. DISCONTINUED OPERATIONS**

None.

**26. EVENTS AFTER THE BALANCE SHEET DATE**

None.

**27. APPROVAL OF FINANCIAL STATEMENTS**

Financial statements are approved by Board of Directors and authorized for publication in 01 May 2008.

**28. INCOME FROM FACTORING OPERATIONS**

The details of revenue generated is as follows:

	Year ended 31 December 2007	Year ended 31 December 2006
Factoring service revenue	14,470,577	10,827,271
Factoring commissions revenue	926,239	847,851
	<u>15,396,816</u>	<u>11,675,122</u>

**29. COST OF FACTORING SERVICES**

	Year ended 31 December 2007	Year ended 31 December 2006
Commission expenses to other factoring agencies	(168,752)	(213,309)
	<u>(168,752)</u>	<u>(213,309)</u>

**Strateji Factoring Hizmetleri A.Ş.**

**NOTES TO FINANCIAL STATEMENTS  
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**30. OPERATING EXPENSES**

	1 January - 31 December 2007 <u>TRY</u>	1 January - 31 December 2006 <u>TRY</u>
Payments to Board of Directors	735,053	626,583
Personnel expenses	1,638,100	1,017,529
Rent expense	77,511	54,109
Depreciation and amortisation expense	123,454	121,627
Bank expenses	58,601	62,039
Advertising expenses	6,174	5,422
Consulting expenses	75,056	50,299
Provision expenses	667,886	130,978
Other operating expenses	467,098	315,233
	<u>3,848,933</u>	<u>2,383,819</u>

**31. INCOME TAX**

	31 December 2007	31 December 2006
<u>Current year tax expense:</u>		
Corporate tax expense	-	-
Prepaid taxes and dues deductible	-	-
	<u>-</u>	<u>-</u>
<u>Tax expense</u>		
Corporate tax expense provision	-	-
Deferred tax expense	9,033	-
	<u>9,033</u>	<u>-</u>
<u>Corporate Tax</u>		

The Company is subject to Turkish corporate tax. 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 2007 is 20% (2006: 20).

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**31. INCOME TAX (cont'd)**

**Corporate Tax (cont'd)**

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2007 is 20% (2006: 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.

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

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

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**31. INCOME TAX (cont'd)**

**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 threshold as at 31 December 2005, 2006 and 2007, no further inflation adjustment made to the Company's statutory financial statements in 2005, 2006 and 2007.

**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.

For calculation of deferred tax asset and liabilities, the rate of 20% (2006 :20%) is used.

**32. STATEMENT OF CASH FLOW**

Statement of cash flow provided in the accompanying financial statements.

**33. OTHER EVENTS**

None.

**34. 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 as disclosed in note 19 and 20 respectively.

**(b) Significant accounting policies**

The Company's accounting policies about financial instruments are disclosed in note 3 "Summary of valuation principles / significant accounting policies" to the financial statements.

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

**(c) Categories of financial instruments**

	31 December 2007	31 December 2006
<b><u>Finansal assets:</u></b>		
Cash and cash equivalents	2,171,141	1,644,882
Other financial assets	488	-
Factoring receivables	61,943,968	52,419,098
<b><u>Finansal liabilities:</u></b>		
Borrowings	52,768,216	44,893,618

**(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.

To negate these risks and secure financial position, Company employs financial derivatives. Company holds no financial instruments hold for speculative incentives, and has no participation in exchange of this type of instruments.

**(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). To control risks associated with fluctuations in foreign exchange rates and interest rates, Company utilizes financial derivatives listed below ;

- Forward foreign exchange contracts
- Currency swaps
- Cross currency swaps

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

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

**(f) Foreign currency risk management**

Foreign currency transactions causes foreign currency risk. Company controls the foreign currency risk emanating from cash flows of operational activities and financing agreements, by engaging in foreign currency purchase/sale contracts.

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

**(g) Foreign currency risk management (cont'd)**

The Company's assets and liabilities denominated in foreign currencies are disclosed in Note 21.

Foreign currency sensitivity

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

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

	USD Effect		EURO Effect	
	2007	2006	2007	2006
Profit / (Loss)	192,975	218,116	124,054	77,611

**(h) Interest risk management**

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

Interest rate sensitivity

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

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

- Interest expense from floating interest rate borrowings would increase by TRY 65,803 (2006: TRY 57,023).

**(i) Other price risks**

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

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

**(j) Credit risk management**

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

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

Industrial allocation of factoring receivables is as follows:

	31 December 2007 %	31 December 2006 %
Iron and steel	-	-
Textile	31.00	25.00
Automotive	-	-
Nutrition	14.00	24.00
Construction	7.00	-
Manufacturing	10.00	28.00
Paper production	8.00	-
Forestry	-	1.00
Electrical appliances	-	2.00
Mining	1.00	-
Metallurgy	6.00	2.00
Transportation	4.00	2.00
Retail	3.00	1.00
Pharmaceutical and chemical	9.00	8.00
Others	7.00	7.00
	<u>100.00</u>	<u>100.00</u>

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

**(k) 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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**34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)**

**(k) Liquidity risk management (cont'd)**

**Liquidity risk table**

**31 December 2007:**

	<u>No fixed term</u>	<u>Up to 1 month</u>	<u>Between 1-3 months</u>	<u>Between 3-12 months</u>	<u>Between 1 - 5 years</u>	<u>Total</u>
Cash and cash equivalents	-	2,171,141	-	-	-	2,171,141
Trade receivables (net)	-	27,200,523	23,656,785	11,086,660	-	61,943,968
Other receivables and assets	59,681	-	-	-	-	59,681
Tangible assets (net)	162,294	-	-	-	-	162,294
Intangible assets (net)	28,809	-	-	-	-	28,809
Other non current assets	48,982	-	-	-	-	48,982
<b>Total assets</b>	<b>299,766</b>	<b>29,371,664</b>	<b>23,656,785</b>	<b>11,086,660</b>		<b>64,414,875</b>
Borrowings	-	10,998,206	41,770,010	-	-	52,768,216
Provision for employment termination benefits	13,140	-	-	-	-	13,140
Other provisions	-	-	-	49,627	-	
Other liabilities	-	-	156,170	102,625	-	308,808
<b>Total liabilities</b>	<b>13,140</b>	<b>10,998,206</b>	<b>41,926,180</b>	<b>152,252</b>		<b>53,090,164</b>
<b>Net liquidity position</b>	<b>286,626</b>	<b>18,373,458</b>	<b>(18,269,395)</b>	<b>10,934,408</b>		<b>11,324,711</b>

**31 December 2006:**

	<u>No fixed term</u>	<u>Up to 1 month</u>	<u>Between 1-3 months</u>	<u>Between 3-12 months</u>	<u>Between 1 - 5 years</u>	<u>Total</u>
Cash and cash equivalents	194,083	1,450,799	-	-	-	1,644,882
Trade receivables (net)	-	12,419,518	27,505,796	12,493,784	-	52,419,098
Other receivables and current assets	423	35,305	2,856	12,887	-	51,471
Tangible assets (net)	247,910	-	-	-	-	247,910
Intangible assets (net)	47,613	-	-	-	-	47,613
Other non current assets	-	-	-	-	50,252	50,252
<b>Total assets</b>	<b>490,029</b>	<b>13,905,622</b>	<b>27,508,652</b>	<b>12,506,671</b>	<b>50,252</b>	<b>54,461,226</b>
Borrowings	-	30,585,505	6,147,887	8,160,226	-	44,893,618
Provision for employment termination benefits	3,123	-	-	-	-	3,123
Other provisions	180,742	-	-	-	-	180,742
Other liabilities	-	166,886	39,822	-	-	206,708
<b>Total liabilities</b>	<b>183,865</b>	<b>30,572,391</b>	<b>6,187,709</b>	<b>8,160,226</b>		<b>45,284,191</b>
<b>Net liquidity position</b>	<b>306,164</b>	<b>(16,846,769)</b>	<b>21,320,943</b>	<b>4,346,445</b>	<b>50,252</b>	<b>9,177,035</b>

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

**(I) Fair value of financial instruments**

Excluding items below on the table, the Company management estimates that the book value of the financial assets and liabilities approximates their fair value.

Fair value of the financial instruments has been determined based on reliable data provided from financial markets. Fair value of other financial assets are determined by benchmarking market value of a similar financial asset or by assumption methods which includes amortizing future cash flows with current interest rates.

The table below refers to comparison of carrying amounts and fair values of financial instruments which have been presented other than their market values at financial statements.

31 December 2007	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Financial Assets</u>		
Cash and cash equivalents	2,171,141	2,171,141
Factoring receivables	61,943,968	61,943,968
Other financial assets	488	488

<u>Financial Liabilities</u>		
Borrowings	52,768,216	52,768,216

31 December 2006	<u>Carrying Amount</u>	<u>Fair Value</u>
<u>Financial Assets</u>		
Cash and cash equivalents	1,644,882	1,644,882
Factoring receivables	52,419,098	52,419,098
Other financial assets	-	-

<u>Financial Liabilities</u>		
Borrowings	44,893,618	44,893,618