

STRATEJİ FACTORİNG HİZMETLERİ A. Ş.

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2008

INDEPENDENT AUDITORS REPORT

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

Report on the Financial Statements

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

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

Opinion

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

İstanbul, 14 April 2009

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

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.**BALANCE SHEET AS AT 31 DECEMBER 2008**

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

ASSETS

	<u>Notes</u>	<u>31 December 2008</u>	<u>31 December 2007</u>
CURRENT ASSETS			
Cash and cash equivalents	5	3,351,390	2,171,629
Factoring receivables	6	41,627,817	61,943,968
- Due from non-related parties		34,056,345	54,766,027
- Due from related parties	7	7,571,472	7,177,941
Other receivables and current assets	8	44,811	59,193
Assets held for sale	9	18,408	18,408
Total Current Assets		<u>45,042,426</u>	<u>64,193,198</u>
NON-CURRENT ASSETS			
Property, plant and equipment	10	186,365	143,886
Intangible assets	11	11,031	28,809
Deferred tax assets	15	1578263	-
Other non-current assets	8	36,200	48,982
Total Non-Current Assets		<u>390,859</u>	<u>221,677</u>
TOTAL ASSETS		<u>45,433,285</u>	<u>64,414,875</u>

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

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.**BALANCE SHEET AS AT 31 DECEMBER 2008**

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

LIABILITIES AND EQUITY

	<u>Notes</u>	<u>31 December 2008</u>	<u>31 December 2007</u>
CURRENT LIABILITIES			
Borrowings	12	31,324,090	52,768,216
Current tax liabilities	15	407,223	-
Other payables and expense accruals	13	312,676	308,422
Total Current Liabilities		<u>32,043,989</u>	<u>53,076,638</u>
NON-CURRENT LIABILITIES			
Provision for employment termination benefits	14	14,252	13,140
Deferred tax liabilities	15	-	9,033
Total Non-Current Liabilities		<u>14,252</u>	<u>22,173</u>
EQUITY			
Share capital	17	15,479,684	15,479,684
Legal reserves	17	158,180	69,902
Accumulated deficit		(2,262,820)	(4,233,522)
Total Equity		<u>13,375,044</u>	<u>11,316,064</u>
TOTAL LIABILITIES AND EQUITY		<u>45,433,285</u>	<u>64,414,875</u>

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

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.**STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2008**

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

	<u>Notes</u>	<u>1 January- 31 December 2008</u>	<u>1 January- 31 December 2007</u>
Income from factoring operations	18	16,500,404	15,396,816
Cost of factoring services	19	(333,219)	(168,752)
Interest income		121,238	79,625
Interest expense		(9,325,864)	(8,740,190)
Foreign exchange gains/(losses)		663,214	(738,541)
Operating expenses	20	(5,143,696)	(4,017,685)
Other income		44,386	336,789
Profit before taxation		<u>2,526,463</u>	<u>2,148,062</u>
Income tax expense	15	(467,483)	(9,033)
Profit for the year		<u><u>2,058,980</u></u>	<u><u>2,139,029</u></u>

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

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

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

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

	Capital	Legal Reserves	Accumulated Deficit	Total Equity
Balance as of 1 January 2007	15,479,684	69,902	(6,372,551)	9,177,035
Profit for the year	-	-	2,139,029	2,139,029
Balance as of 31 December 2007	15,479,684	69,902	(4,233,522)	11,316,064
Transfers	-	88,278	(88,278)	-
Profit for the year	-	-	2,058,980	2,058,980
Balance as of 31 December 2008	15,479,684	158,180	(2,262,820)	13,375,044

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

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.**STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2008**

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

	<u>Notes</u>	<u>1 January- 31 December 2008</u>	<u>1 January- 31 December 2007</u>
Cash flows from operating activities			
Profit for the year		2,058,980	2,139,029
Income tax expense recognised in profit or loss		467,483	9,033
Finance costs recognised in profit or loss		9,204,626	8,660,565
Gain on sale or disposal of property, plant and equipment		(241,663)	(20,290)
Impairment loss recognized on factoring receivables		1,176,349	608,242
Depreciation and amortisation of non-current assets	10, 11	77,010	123,423
Unrealized foreign exchange losses		1,839,888	1,422,979
		14,582,673	12,942,981
Movements in working capital			
Decrease / (increase) in factoring receivables		19,139,802	(10,133,112)
Decrease / (increase) in other receivables and other assets		14,382	(6,452)
Increase in provision of employment termination benefits	14	18,213	10,017
Increase / (decrease) in other payables and expense accruals		4,254	(79,028)
Cash generated from operations		33,759,324	2,734,406
Income taxes paid	15	(226,556)	-
Interest paid		(8,968,219)	(8,746,649)
Interest received		121,238	79,625
Termination benefits paid	14	(17,101)	-
Net cash generated from / (used in) operating activities		24,668,686	(5,932,618)
Cash flows from investing activities			
Payments for property, plant and equipment	10	(125,164)	(39,098)
Proceeds from disposal of property, plant and equipment		265,116	41,238
Payments for intangible assets	11	-	(884)
Net cash generated from investing activities		139,952	1,256
Cash flows from financing activities			
Proceeds from borrowings		471,172,905	768,232,891
Repayment of borrowings		(494,801,782)	(761,770,796)
Net cash (used in) / generated from financing activities		(23,628,877)	6,462,095
Net Increase In Cash and Cash Equivalents		1,179,761	530,733
Cash and Cash Equivalents at the Beginning of Year		2,171,629	1,640,896
Cash and Cash Equivalents as the End of Year	5	3,351,390	2,171,629

The accompanying notes form an integral part of these financial statements

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

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 two operating division: 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 2008 is 45 (31 December 2007: 39).

2. ADOPTION OF NEW AND REVISED STANDARDS

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

Standards, amendments and interpretations effective in 2008 but not relevant

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

IFRIC 11, “IFRS 2 – Company and treasury share transactions”,
IFRIC 12, “Service concession arrangements”,
IFRIC 14, “IAS 19- The limit on a defined benefit asset, minimum funding requirements and their interaction”,
IAS 39 and IFRS 7 – “Revisions related to the classification of financial assets”

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

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

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

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

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

- | | |
|---|---|
| • IFRS 2, “Share-based Payment” Amendment relating to vesting conditions and cancellations | Effective for annual periods beginning on or after 1 January 2009 |
| • IFRS 1, “First-time Adoption of International Financial Reporting Standards — Amendment relating to cost of an investment on first-time adoption” | Effective for annual periods beginning on or after 1 January 2009 |
| • IFRS 3, “Business Combinations” | 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 | |
| • IAS 23, “(Amendment) Borrowing Costs”
Comprehensive revision to prohibit immediate expensing | Effective for annual periods beginning on or after 1 January 2009 |
| • IAS 27, “Consolidated and Separate Financial Statements”
Amendment relating to cost of an investment on first-time adoption | Effective for annual periods beginning on or after 1 January 2009 |
| • IAS 1, “Presentation of Financial Statements” | 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 | |
| • IAS 1, “Presentation of Financial Statements”
Comprehensive revision including requiring a statement of comprehensive income | Effective for annual periods beginning on or after 1 January 2009 |
| • IAS 39, “Financial Instruments: Recognition and Measurement”
Amendments for eligible hedged items | Effective for annual periods beginning on or after 1 January 2009 |

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

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

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.

Functional currency

The results and financial position of the Company are expressed in New Turkish Lira, which is the functional and presentation currency of the Company. In accordance with Law No:5083 “Law on the Currency Unit of the Republic of Turkey”, the name of the Republic of Turkey’s monetary unit and its sub-currency unit is changed to the New Turkish Lira (TRY) and the New Kuruş (NKr), respectively. However, in accordance with the additional order of the Council of Ministers in regards to the Order on the Removal of the Expression “New” in the New Turkish Lira and the New Kuruş and Its Application Principles, the expression “New” used in the Republic of Turkey’s monetary unit is removed both from TRY and NKr as of January 1, 2009, therefore the financial statements have been represented in TL.

Basis of presentation of financial statements:

The Company maintains its books of account and prepares its statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and tax legislation. The accompanying financial statements are based on the statutory records, with adjustments and reclassifications, including restatement for the changes in the general purchasing power of the Turkish Lira in accordance with International Accounting Standard No. 29 “Financial Reporting in Hyperinflationary Economies” (“IAS 29”) until 1 January 2006, for the purpose of fair presentation in accordance with IFRS.

Inflation accounting:

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

Revenue recognition

Revenue, is 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.

Income from factoring operations is 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 recognized on accrual basis.

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont’d)

Revenue recognition (cont’d)

Interest revenue

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

Property, plant and equipment

Property, plant and equipment are carried at cost less accumulated depreciation and any accumulated impairment losses.

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

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.

Computer software

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

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont’d)

Impairment of non-financial assets

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

Borrowing costs

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

Taxation and deferred income taxes

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

Current tax

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

Deferred tax

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

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont’d)

Taxation and deferred income taxes (cont’d)

Deferred tax (cont’d)

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

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

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

Current and deferred tax for the period

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

Retirement pay provision

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

Foreign currency transactions

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

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

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont’d)

Assets classified as held for sale

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

Financial assets

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

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

Loans and receivables

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

Impairment of financial assets

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

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

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

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

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont’d)

Financial assets (cont’d)

Cash and cash equivalents

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

Financial liabilities

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

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities. The Company does not have any financial liabilities at FVTPL.

Other financial liabilities

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

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

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

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

4. DIVIDENDS

Company has not distributed dividends in the current year.

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

5. CASH AND CASH EQUIVALENTS

	<u>31 December 2008</u>	<u>31 December 2007</u>
Cash on hand	1,046	290
Cash at banks		
Demand deposits	1,576,105	892,206
Time deposits	1,714,351	1,278,645
Other	59,888	488
	<u>3,351,390</u>	<u>2,171,629</u>

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

<u>Currency Type</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>31 December 2008</u>
USD	% 4.00	02.01.2009	1,714,351
			<u>1,714,351</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
TL	% 11.69	11.01.2008	16,098
			<u>1,278,645</u>

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

6. FACTORING RECEIVABLES

	31 December 2008	31 December 2007
<u>Current trade receivables:</u>		
Factoring receivables	36,348,871	55,496,439
Due from related parties (Note 8)	7,571,472	7,177,941
Factoring receivables in aggregate	43,920,343	62,674,380
Provision for doubtful factoring receivables	(1,808,871)	(730,412)
	42,111,472	61,943,968
Factoring payables	(483,655)	-
Factoring receivables - net	41,627,817	61,943,968

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 2008</u>
USD	157,319	237,913
EUR	3,038,275	6,504,340
GBP	1,152,341	2,526,393
CHF	458	655
TL	32,358,516	32,358,516
Total		41,627,817
<u>Currency Type</u>	<u>Original Amount</u>	<u>31 December 2007</u>
USD	220,044	256,285
EUR	2,653,253	4,537,594
GBP	910,596	2,117,953
CHF	171	176
TL	55,031,960	55,031,960
Total		61,943,968

USD 157,319, EUR 3,083,275 and GBP 1,152,341 worth of factoring receivables are subject to Libor + variable interest rates. (2007: USD 220,044, EUR 2,653,253 and GBP 910,596)

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

6. FACTORING RECEIVABLES (cont'd)

The details of guarantees received against factoring receivables as of 31 December 2008 and 31 December 2007 are as follows:

	31 December 2008	31 December 2007
Mortgages	8,421,553	8,955,573
Pledges on business enterprise and vehicles	186,620	639,316
Customer notes	12,360,805	9,289,371
Customer cheques	4,127,033	2,938,015
Correspondent guarantees for exports	4,801,231	5,664,641
	<u>29,897,242</u>	<u>27,486,916</u>

Additionally the company has 28,747,720 TL (31 12.2007: 45,522,584 TL) of cheques portfolio and 402,995 TL (31 12.2007: 1,744,942 TL) of notes portfolio in relation to the accounts receivable balances above. Also in the amounts of guarantees above are presented as the lesser of receivable balance or guarantee amount.

As of balance sheet date, the Company's factoring receivables which are overdue for less than 90 days amount to TL 808,238. The Company does not recognize allowance considering the fact that there is no substantial risk regarding the recoverability of such factoring receivables, the aging of the total amount is as follows:

	31 December 2008	31 December 2007
Up to 30 days	645,638	860,685
Between 30 – 60 days	98,099	238,060
Between 60 – 90 days	64,501	105,405
Portion not due as of balance sheet date (*)	4,221,893	9,366,788
	<u>5,030,131</u>	<u>10,570,938</u>

(*) These receivables are due from the parties from which the Company has overdue receivables for less than 90 days.

Collaterals held for the trade receivables which are overdue for less than 90 days as at 31 December 2008 are as follows:

Guarantees:

	31 December 2008
Mortgages	186,620
Customer notes	176,789
	<u>363,409</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

6. FACTORING RECEIVABLES (cont’d)

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.

The movement of provision for allowance of receivables as of 31 December 2008 and 31 December 2007 is as follows:

	1 January- 31 December 2008	1 January- 31 December 2007
Balance at beginning of the year	(730,412)	(122,170)
Period charge	(1,176,349)	(608,242)
Amounts recovered during the year	97,890	-
Balance at the end of the year	<u>(1,808,871)</u>	<u>(730,412)</u>

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

	31 December 2008	31 December 2007
Up to 90 days	172,700	446,823
Between 90 – 180 days	317,057	187,165
Between 180 – 360 days	2,007,179	9,695
360 days and above	2,121,275	-
Portion not due as of balance sheet date	-	86,729
	<u>4,618,211</u>	<u>730,412</u>

Guarantees obtained against doubtful factoring receivables:

	31 December 2008	31 December 2007
Mortgages	2,698,764	-
	<u>2,698,764</u>	<u>-</u>

There is no guarantees obtained against doubtful factoring receivables as of 31 December 2007.

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

7. RELATED PARTY TRANSACTIONS

The immediate parent and ultimate controlling party of the Company is TE Holding A.Ş. incorporated in İstanbul, Turkey.

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.

The receivables from related parties arise mainly from factoring transactions.

The payables to related parties arise mainly from loans received via related parties which are due three months as of the balance sheet date and bear interest.

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

	31 December 2008	31 December 2007
<u>Factoring receivables from related parties</u>		
Tet Kağıt Ambalaj San. ve Tic. A.Ş.	2,247,950	-
Venüs Giyim San. ve Tic. A.Ş.	2,214,901	1,337,535
Tetaş Tekstil İmalat İthalat Dahili Tic. A.Ş.	1,923,954	3,615,950
Temat Kırt. Büro Ekipmanları Tekstil San.A.Ş.	700,559	-
Tec Tekstil Dokuma Baskı Matbaa Etiket San. ve Tic. A.Ş.	484,108	396,086
Tet Tekstil Endüstrileri Tic. A.Ş.	-	1,626,657
Tesan Makine Ltd. Şti.	-	201,713
	<u>7,571,472</u>	<u>7,177,941</u>

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

	31 December 2008	31 December 2007
<u>Non- trade payables to related parties:</u>		
Tetaş Tekstil İmalat İthalat Dahili Tic. A.Ş. (*)	3,193,337	10,137,328
Yatırım Finansal Kiralama A.Ş. (**)	8,878	-
	<u>3,202,215</u>	<u>10,137,328</u>

(*) The balance is corresponding to the loan amount obtained through related party Tetaş Tekstil İmalat İthalat Dahili Tic. A.Ş and is included in the borrowings (note 12). Maturity of the loan is 31 March 2009 and interest rate is 26%. (2007: 31 March 2008: 19.22%)

(**) Disclosed in other payables and expense accruals (note 13)

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

7. RELATED PARTY TRANSACTIONS (cont'd)

	1 January- 31 December 2008	1 January- 31 December 2007
<u>Interest revenue from related parties :</u>		
Tetaş Tekstil İmalat İthalat Dahili Tic. A.Ş.	684,576	205,363
Tet Kağıt Ambalaj San. ve Tic. A.Ş.	553,594	-
Temat Kırtasiye Büro Ekipmanları Tekstil San. A.Ş.	264,096	3,881
Tec Tekstil Dokuma Baskı Matbaa Etiket San.ve Tic. A.Ş.	197,368	55,083
Venüs Giyim San. ve Tic. A.Ş.	45,291	146,376
Tesan Tekstil Makineleri San. ve Tic. A.Ş.	20,010	2,567
Tet Tekstil Endüstrileri Tic. A.Ş.	-	493,185
Tepaş Tekstil Pazarlama A.Ş.	-	54,093
	<u>1,764,935</u>	<u>960,548</u>
<u>Commission revenue from related parties :</u>		
Venüs Giyim San. ve Tic. A.Ş.	64,181	22,360
Tet Kağıt Ambalaj San. ve Tic. A.Ş.	16,818	-
Tetaş Tekstil İmalat İthalat Dahili Tic. A.Ş.	16,148	4,982
Temat Kırtasiye Büro Ekipmanları Tekstil San. A.Ş.	12,632	71
Tec Tekstil Dokuma Baskı Matbaa Etiket San.ve Tic. A.Ş.	5,010	1,411
Tesan Tekstil Makineleri San. ve Tic. A.Ş.	434	267
Tepaş Tekstil Pazarlama A.Ş.	-	6,014
Tet Tekstil Endüstrileri Tic. A.Ş.	-	4,117
	<u>115,223</u>	<u>39,222</u>
<u>Services obtained from related parties:</u>		
Tet Sigorta Aracılık Hizmetleri A.Ş.	10,629	10,634
Temat Kırtasiye Büro Ekipmanları Tekstil San. ve Tic. A.Ş.	824	2,226
	<u>11,453</u>	<u>12,860</u>
<u>Rent expenses to related parties :</u>		
Yatırım Finansal Kiralama A.Ş.	118,777	77,832
<u>Other expenses to related parties :</u>		
Yatırım Finansal Kiralama A.Ş.	25,729	-
<u>Remuneration of key management personnel :</u>		
Short-term benefits	1,053,353	735,053

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

8. OTHER RECEIVABLES AND ASSETS

	31 December 2008	31 December 2007
<u>Other receivables and current assets</u>		
Prepaid expenses	36,974	40,194
Income accruals	2,702	16,776
Advances given	-	1,359
Other	5,135	864
	<u>44,811</u>	<u>59,193</u>
<u>Other non-current assets</u>		
Deposits and guarantees given	36,200	48,982
	<u>36,200</u>	<u>48,982</u>

9. ASSETS HELD FOR SALE

	31 December 2008	31 December 2007
	TL	TL
Assets held for sale	18,408	18,408
	<u>18,408</u>	<u>18,408</u>

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

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

10. PROPERTY, PLANT AND EQUIPMENT

	<u>Furniture and fixtures</u>	<u>Vehicles</u>	<u>Leasehold improvements</u>	<u>Total</u>
<u>Cost value</u>				
Opening balance as of 1 January 2007	167,832	235,161	119,954	522,947
Additions	15,730	-	4,929	20,659
Disposals	-	(67,498)	-	(67,498)
Closing balance as of 31 December 2007	<u>183,562</u>	<u>167,663</u>	<u>124,883</u>	<u>476,108</u>
Additions	101,897	-	23,267	125,164
Disposals	-	(167,663)	-	(167,663)
Closing balance as of 31 December 2008	<u>285,459</u>	<u>-</u>	<u>148,150</u>	<u>433,609</u>

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2008**

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

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

	<u>Furniture and fixtures</u>	<u>Vehicles</u>	<u>Leasehold improvements</u>	<u>Total</u>
<u>Accumulated depreciation:</u>				
Opening balance as of 1 January 2007	80,705	131,108	63,224	275,037
Charge of the year	36,652	42,605	24,478	103,735
Disposals	-	(46,550)	-	(46,550)
Closing balance as of 31 December 2007	<u>117,357</u>	<u>127,163</u>	<u>87,702</u>	<u>332,222</u>
Charge of the year	14,669	17,047	27,516	59,232
Disposals	-	(144,210)	-	(144,210)
Closing balance as of 31 December 2008	<u>132,026</u>	<u>-</u>	<u>115,218</u>	<u>247,244</u>
Net book value as of 31 December 2007	<u>66,205</u>	<u>40,500</u>	<u>37,181</u>	<u>143,886</u>
Net book value as of 31 December 2008	<u>153,433</u>	<u>-</u>	<u>32,932</u>	<u>186,365</u>

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

10. 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

11. INTANGIBLE ASSETS

	<u>Rights</u>	<u>Total</u>
<u>Cost value:</u>		
Opening balance as of 1 January 2007	97,580	97,580
Additions	884	884
Disposals	-	-
Closing balance as of 31 December 2007	<u>98,464</u>	<u>98,464</u>
Additions	-	-
Disposals	-	-
Closing balance as of 31 December 2008	<u>98,464</u>	<u>98,464</u>
<u>Accumulated amortisation:</u>		
Opening 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	<u>69,655</u>	<u>69,655</u>
Charge of the year	17,778	17,778
Closing balance as of 31 December 2008	<u>87,433</u>	<u>87,433</u>
<u>Net book values:</u>		
Net book value as of 31 December 2007	<u>28,809</u>	<u>28,809</u>
Net book value as of 31 December 2008	<u>11,031</u>	<u>11,031</u>

Rights are amortised in 5 years.

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

12. BORROWINGS

The details of short term bank borrowings as of 31 December 2008 and 31 December 2007 are as follows;

Currency Type	Interest rate %	Original Amount	31 December 2008
TL	% 19.85- % 29.00	21,364,930	21,364,930
USD	% 1.95- % 2.95	151,127	228,549
EURO	% 3.41- % 6.89	2,578,547	5,520,153
GBP	% 3.21- % 4.25	1,529,727	3,353,775
Interest expense accruals			856,683
			<u>31,324,090</u>

Currency Type	Interest rate %	Original Amount	31 December 2007
TL	% 16.75 -% 18.30	45,725,913	45,725,913
USD	% 5.63 - % 7.03	220,837	257,209
EURO	% 4.88 - % 6.69	2,338,428	3,999,179
GBP	% 6.75 - % 7.55	966,281	2,247,473
Interest expense accruals			538,442
			<u>52,768,216</u>

Interest rates on borrowings are compound interest rates.

TL 22,241,030 (2007: TL 46,261,485) worth of bank borrowings have fixed interest rates, exposing the Company to interest risk. TL 44,931 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 2008, Company has an unused credit limit worth of TL 95,797,760.

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

13. OTHER PAYABLES AND EXPENSE ACCRUALS

	31 December 2008	31 December 2007
Taxes and dues payable	164,605	156,170
Commissions payable to factoring agencies	70,803	67,549
Unused vacation pay	47,927	49,627
Other	29,341	35,076
	<u>312,676</u>	<u>308,422</u>

14. PROVISION FOR EMPLOYEMENT 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 60th article that has been changed.

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

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

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

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

	1 January- 31 December 2008	1 January- 31 December 2008
Provision at 1 January	13,140	3,123
Current year charge	18,213	10,017
Employee termination benefits paid	<u>(17,101)</u>	<u>-</u>
Provision at 31 December	<u>14,252</u>	<u>13,140</u>

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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15. TAXATION ON INCOME

	31 December 2008	31 December 2007
<u>Current tax liability:</u>		
Current corporate tax provision	633,779	-
Prepaid taxes and funds	(226,556)	-
	<u>407,223</u>	<u>-</u>
<u>Income tax expense comprises:</u>		
Current tax	633,779	-
Deferred tax (benefit) / charge	(166,296)	9,033
	<u>467,483</u>	<u>9,033</u>

Corporate Tax:

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

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

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

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

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

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

Income withholding tax:

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% commencing from 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes. Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, companies can deduct 40% of the investments within the scope of the investment incentive certificate and that are directly related to production facilities of the company. The investments without investment incentive certificates do not qualify for tax allowance.

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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15. TAXATION ON INCOME (cont’d)

Income withholding tax:

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

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

Inflation adjusted legal tax calculation:

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

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

15. TAXATION ON INCOME (cont'd)

Deferred Tax:

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

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

<u>Deferred tax (assets) / liabilities</u>	<u>31 December 2008</u>	<u>31 December 2007</u>
Restatement and depreciation / amortisation differences of property, plant and equipment and other intangible assets	15,262	12,174
Provision for employee termination benefits	(2,850)	(2,628)
Unused vacation pay	(9,585)	(9,925)
Adjustment on borrowings	3,883	9,412
Adjustment on factoring provisions	(163,973)	-
Deferred tax (asset) / liability	<u>(157,263)</u>	<u>9,033</u>

Movements of deferred tax (assets) / liabilities as of 31 December 2008 and 2007 are as follows:

	<u>1 January- 31 December 2008</u>	<u>1 January- 31 December 2007</u>
Opening balance at 1 January	9,033	-
Charged to profit or loss for the year	(166,296)	9,033
Closing balance at 31 December	<u>(157,263)</u>	<u>9,033</u>

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

15. TAXATION ON INCOME (cont'd)

Total charge for the year can be reconciled to the accounting profit as follows:

	1 January- 31 December 2008	1 January- 31 December 2007
<u>Reconciliation of taxation:</u>		
Profit before tax	2,526,463	2,148,062
Tax at the domestic income tax rate of 20% (2007: 20%)	505,293	429,612
Tax effects of:		
-Expenses that are not deductible in determining taxable profit	189,984	7,378
-Other allowances	(1,708)	(36,148)
-Effect of factoring provisions	(163,973)	-
-Non-taxable IFRS adjustments	(17,852)	16,749
-Unused tax losses and tax offsets not recognised as deferred tax assets	(44,261)	(408,558)
Tax expense	<u>467,483</u>	<u>9,033</u>

16. COMMITMENTS AND CONTINGENCIES

	31 December 2008	31 December 2007
<u>Guarantees given</u>		
Legal claims	799,673	433,353
Guarantees given to banks for loans	29,016,649	41,646,209
	<u>29,816,322</u>	<u>42,079,562</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.

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17. SHARE CAPITAL AND LEGAL RESERVES

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

<u>Shareholders</u>	<u>(%)</u>	<u>31 December 2008</u>	<u>(%)</u>	<u>31 December 2007</u>
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.	22.80	1,938,000	15.20	1,292,000
Tek Örne Sanayi ve Ticaret A.Ş.	-	-	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>

	<u>31 December 2008</u>	<u>31 December 2007</u>
Legal reserves	<u>158,180</u>	<u>69,902</u>
	<u>158,180</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.

18. INCOME FROM FACTORING OPERATIONS

The details of revenue generated is as follows:

	<u>1 January- 31 December 2008</u>	<u>1 January- 31 December 2007</u>
Factoring service revenue	15,286,235	14,470,577
Factoring commissions revenue	1,214,169	926,239
	<u>16,500,404</u>	<u>15,396,816</u>

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

19. COST OF FACTORING SERVICES

	1 January- 31 December 2008	1 January- 31 December 2007
Commission expenses to other factoring agencies	(333,219)	(168,752)
	<u>(333,219)</u>	<u>(168,752)</u>

20. OPERATING EXPENSES

	1 January - 31 December 2008	1 January - 31 December 2007
Personnel expenses	(2,090,004)	(1,638,100)
Provision expenses	(1,233,168)	(667,886)
Benefits to directors	(1,053,353)	(735,053)
Rent expense	(261,448)	(77,511)
Travel expenses	(161,549)	(192,708)
Consulting expenses	(86,337)	(75,056)
Depreciation and amortisation expense	(77,010)	(123,423)
Bank expenses	(51,178)	(58,601)
Other operating expenses	(129,649)	(449,347)
	<u>(5,143,696)</u>	<u>(4,017,685)</u>

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

21. FOREIGN CURRENCY POSITION

<u>31 December 2008</u>	USD Equivalent of TL	EURO Equivalent of TL	CHF Equivalent of TL	GBP Equivalent of TL	Total TL
Cash and cash equivalents	1,738,645	395,820	1,826	918,866	3,055,157
Factoring receivables	237,913	6,504,340	655	2,526,393	9,269,301
Other current assets	378	-	-	-	378
Borrowings (*)	(228,571)	(5,522,916)	-	(3,356,088)	(9,107,575)
Other current liabilities	(4,056)	(48,150)	(1,785)	(11,713)	(65,704)
Net position	1,744,309	1,329,094	696	77,458	3,151,557

<u>31 December 2007</u>	USD Equivalent of TL	EURO Equivalent of TL	CHF Equivalent of TL	GBP Equivalent of TL	Total TL
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)
Other current liabilities	(2,107)	(47,131)	(127)	(18,182)	(67,547)
Net position	1,284,392	779,894	(78)	(92,705)	1,971,503

(*) Including interest accruals

22. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Capital risk management

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

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

(b) Significant accounting policies

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

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

(c) Categories of financial instruments

	31 December 2008	31 December 2007
<u>Financial assets:</u>		
Cash and cash equivalents	3,351,390	2,171,629
Factoring receivables	41,627,817	61,943,968
<u>Financial liabilities:</u>		
Borrowings	31,324,090	52,768,216

(d) Financial risk management objectives

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

(e) Market risk

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

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

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

(f) Foreign currency risk management

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

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

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

(f) Foreign currency risk management (cont'd)

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	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Profit	395,688	224,390	426,799	200,066
(Loss)	(395,688)	(224,390)	(426,799)	(200,066)

(g) Interest risk management

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

Interest rate sensitivity

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

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

Interest expense from floating interest rate borrowings would increase by TL 91,883 (2007: TL 65,803).

(h) Other price risks

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

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

(i) Credit risk management

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

Factoring 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.

The Company does not have any significant credit risk exposure to any single counterparty or any Company 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 2008	31 December 2007
Textile	15,678,709	20,637,432
Construction	7,794,862	4,110,218
Paper production	4,878,174	4,688,090
Pharmaceutical and chemical	3,551,264	5,452,098
Metallurgy	1,437,799	3,656,377
Electrical appliances	1,231,083	-
Nutrition	1,081,855	8,670,206
Automotive	949,332	-
Manufacturing	599,060	5,918,324
Mining	363,027	867,162
Transportation	335,994	2,172,948
Retail	71,100	1,684,959
Others	3,655,558	4,086,154
	<u>41,627,817</u>	<u>61,943,968</u>

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2008

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

(i) Credit risk management (cont’d)

Industrial allocation of factoring receivables is as follows:

	31 December 2008 %	31 December 2007 %
Textile	37.66	33.32
Construction	18.73	6.64
Paper production	11.72	7.57
Pharmaceutical and chemical	8.53	8.80
Metallurgy	3.45	5.90
Electrical appliances	2.96	0.00
Nutrition	2.60	14.00
Automotive	2.28	0.00
Manufacturing	1.44	9.55
Mining	0.87	1.40
Transportation	0.81	3.51
Retail	0.17	2.72
Others	8.78	6.59
	<u>100.00</u>	<u>100.00</u>

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

(j) Liquidity risk management (cont'd)

Liquidity risk table

31 December 2008:

	Up to 1 month	Between 1-3 months	Between 3-12 months	Adjustments	Total
Cash and cash equivalents	3,351,390	-	-	-	3,351,390
Trade receivables	22,413,952	17,634,005	1,579,860	-	41,627,817
Total assets	25,765,342	17,634,005	1,579,860	-	44,979,207
Borrowings	(17,495,206)	(8,948,300)	(5,732,597)	852,013	(31,324,090)
Total liabilities	(17,495,206)	(8,948,300)	(5,732,597)	852,013	(31,324,090)
Net liquidity position	8,270,136	8,685,705	(4,152,737)	852,013	13,655,117

31 December 2007:

	Up to 1 month	Between 1-3 months	Between 3-12 months	Adjustments	Total
Cash and cash equivalents	2,171,629	-	-	-	2,171,629
Trade receivables	27,200,523	23,656,785	11,086,660	-	61,943,968
Total assets	29,372,152	23,656,785	11,086,660	-	64,115,597
Borrowings	(10,998,206)	(42,405,863)	-	635,853	(52,768,216)
Total liabilities	(10,998,206)	(42,405,863)	-	635,853	(52,768,216)
Net liquidity position	18,373,946	(18,749,078)	11,086,660	635,853	11,347,381

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

(k) Categories of financial instruments and fair values

	<u>Financial assets at amortized cost</u>	<u>Loans and receivables</u>	<u>Financial liabilities at amortized cost</u>	<u>Carrying value</u>	<u>Fair value</u>	<u>Note</u>
<u>31 December 2008</u>						
<u>Financial assets</u>						
Cash and cash equivalents	3,351,390	-	-	3,351,390	3,351,390	5
Factoring receivable	-	41,627,817	-	41,627,817	41,627,817	6
<u>Financial liabilities</u>						
Borrowings	-	-	(31,324,090)	(31,324,090)	(31,324,090)	12
<u>31 December 2007</u>						
<u>Financial assets</u>						
Cash and cash equivalents	2,171,629	-	-	2,171,629	2,171,629	5
Factoring receivable	-	61,943,968	-	61,943,968	61,943,968	6
<u>Financial liabilities</u>						
Borrowings	-	-	(52,768,216)	(52,768,216)	(52,768,216)	12

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