

STRATEJİ FACTORİNG HİZMETLERİ A. Ş.

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

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 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management’s Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

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

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

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



Opinion

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

DRT Bağımsız Denetim ve S.M.M.M. A.Ş.

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

İstanbul, 14 April, 2011

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.**BALANCE SHEET AS AT 31 DECEMBER 2010**

(Amounts expressed in thousand Turkish Lira ("thousand TL") unless otherwise stated.)

ASSETS

	<u>Notes</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
CURRENT ASSETS			
Cash and cash equivalents	5	4,271	2,434
Factoring receivables	6	122,342	83,842
- Due from non-related parties		106,432	75,816
- Due from related parties	7	15,910	8,026
Other receivables and current assets	8	132	65
Assets held for sale	9	156	79
Total Current Assets		<u>126,901</u>	<u>86,420</u>
NON-CURRENT ASSETS			
Property, plant and equipment	10	546	230
Intangible assets	11	66	2
Deferred tax assets	17	88	262
Other non-current assets	8	18	18
Total Non-Current Assets		<u>718</u>	<u>512</u>
TOTAL ASSETS		<u>127,619</u>	<u>86,932</u>

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

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

BALANCE SHEET AS AT 31 DECEMBER 2010

(Amounts expressed in thousand Turkish Lira ("thousand TL") unless otherwise stated.)

LIABILITIES AND EQUITY

	<u>Notes</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
CURRENT LIABILITIES			
Borrowings	12	113,211	71,617
Obligations under finance leases	13	120	21
Current tax liabilities	17	-	98
Provision for short term employee benefits	16	119	61
Derivative financial instruments	14	17	-
Other payables and expense accruals	15	359	297
Total Current Liabilities		<u>113,826</u>	<u>72,094</u>
NON-CURRENT LIABILITIES			
Provision for employment termination benefits	16	36	22
Obligations under finance leases	13	138	12
Total Non-Current Liabilities		<u>174</u>	<u>34</u>
EQUITY			
Share capital	19	17,170	15,480
Legal reserves	19	602	258
Accumulated deficit		(4,153)	(934)
Total Equity		<u>13,619</u>	<u>14,804</u>
TOTAL LIABILITIES AND EQUITY		<u>127,619</u>	<u>86,932</u>

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

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.**STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2010**

(Amounts expressed in thousand Turkish Lira ("thousand TL") unless otherwise stated.)

	<u>Notes</u>	<u>1 January- 31 December 2010</u>	<u>1 January- 31 December 2009</u>
Income from factoring operations	20	14,525	11,385
Cost of factoring services	21	(674)	(485)
Interest income		7	69
Interest expense		(6,328)	(4,047)
Operating expenses	22	(7,069)	(5,621)
Other income		1,614	435
Income before taxation		<u>2,075</u>	<u>1,736</u>
Income tax expense	17	(444)	(306)
Net income for the year		<u>1,631</u>	<u>1,430</u>
Other comprehensive income		-	-
Total comprehensive income		<u>1,631</u>	<u>1,430</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 2010**

(Amounts expressed in thousand Turkish Lira ("thousand TL") unless otherwise stated.)

	<u>Capital</u>	<u>Legal Reserves</u>	<u>Accumulated Deficit</u>	<u>Total Equity</u>
Balance as of 1 January 2009	15,480	158	(2,264)	13,374
Transfers	-	100	(100)	-
Total comprehensive income for the year	-	-	1,430	1,430
Balance as of 31 December 2009	<u>15,480</u>	<u>258</u>	<u>(934)</u>	<u>14,804</u>
Balance as of 1 January 2010	15,480	258	(934)	14,804
Issuance of share capital	1,690	344	(2,034)	-
Dividends	-	-	(2,816)	(2,816)
Total comprehensive income for the year	-	-	1,631	1,631
Balance as of 31 December 2010	<u>17,170</u>	<u>602</u>	<u>(4,153)</u>	<u>13,619</u>

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

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in thousand Turkish Lira ("thousand TL") unless otherwise stated.)

	Notes	1 January- 31 December 2010	1 January- 31 December 2009
Cash flows from operating activities			
Profit for the year		1,631	1,430
Income tax expense recognised in profit or loss	17	444	306
Finance costs recognised in profit or loss		5,972	4,012
Gain on sale or disposal of property, plant and equipment		25	-
Impairment loss recognized on factoring receivables	6	43	903
Depreciation and amortisation of non-current assets	10,11	95	106
Unrealized foreign exchange losses		30	(10)
Increase in provision of employment termination benefits		22	29
Increase in provision of vacation		58	13
		8,320	6,789
Movements in working capital			
Decrease / (increase) in factoring receivables	6	(38,543)	(43,117)
Decrease / (increase) in other receivables and other assets	8	-	(1)
Decrease / (increase) in assets held for sale	9	(77)	(61)
Increase / (decrease) in other payables and expense accruals		96	74
Cash generated from operations		(30,204)	(36,316)
Income taxes paid	17	(435)	(720)
Interest paid		(6,328)	(4,047)
Interest received		7	35
Termination benefits paid	16	(8)	(21)
Net cash generated from / (used in) operating activities		(6,764)	(4,753)
Cash flows from investing activities			
Payments for property, plant and equipment	10	(488)	(144)
Proceeds from disposal of property, plant and equipment		66	3
Payments for intangible assets	11	(78)	-
Net cash generated from investing activities		(500)	(141)
Cash flows from financing activities			
Proceeds from borrowings		1,926,128	815,391
Repayment of borrowings		(1,883,977)	(775,088)
Dividends		(2,816)	-
Net cash (used in) / generated from financing activities		39,335	40,303
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies		(30)	(10)
Net Increase In Cash and Cash Equivalents		1,837	(917)
Cash and Cash Equivalents at the Beginning of Year		2,434	3,351
Cash and Cash Equivalents at the End of Year	5	4,271	2,434

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 2010

(Amounts expressed in thousand Turkish Lira (“thousand TL”) unless otherwise stated)

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: 255 K: 16 Maslak – İstanbul.

The Company is currently organized into three operating divisions: domestic, import and export factoring.

Principal activities of the Company is factoring of trade receivables of serviced entities.

The number of employees as of 31 December 2010 is 59 (31 December 2009: 52).

2. ADOPTION OF NEW AND REVISED STANDARDS

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

Standards and Interpretations affecting reported results or financial position of 2010

None.

New and Revised IFRSs affecting the reported financial performance and / or balance sheet

None.

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

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

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

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

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

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

(Amounts expressed in thousand Turkish Lira (“thousand TL”) unless otherwise stated)

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

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

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

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

IAS 28 (revised in 2008) Investments in Associates

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

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

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

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

a) Specific disclosures in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations, or

b) Disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the consolidated financial statements.

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

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

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

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

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

(Amounts expressed in thousand Turkish Lira (“thousand TL”) unless otherwise stated)

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

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

The firm does not have expenditures of improvements.

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

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

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

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

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

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

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

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

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

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

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

(Amounts expressed in thousand Turkish Lira (“thousand TL”) unless otherwise stated)

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

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

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

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

New and Revised IFRSs in issue but not yet effective

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

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

On 20 December, IFRS 1 is amended to;

- provide relief for first-time adopters of IFRSs from having to reconstruct transactions that occurred before their date of transition to IFRSs.
- provide guidance for entities emerging from severe hyperinflation either to resume presenting IFRS financial statements or to present IFRS financial statements for the first time.

The amendment above will be effective for annual periods beginning on or after 1 July 2011. These amendments are not relevant to the Company, as it is an existing IFRS preparer.

IFRS 7 Financial Instruments: Disclosures

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

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

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

(Amounts expressed in thousand Turkish Lira (“thousand TL”) unless otherwise stated)

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

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

IFRS 9 Financial Instruments: Classification and Measurement

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

IAS 12 Income Taxes

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

IAS 24 (Revised 2009) Related Party Disclosures

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

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

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

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

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

(Amounts expressed in thousand Turkish Lira (“thousand TL”) unless otherwise stated)

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

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

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

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

IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

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

Annual Improvements May 2010

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

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance:

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

Basis of preparation 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 Turkish Lira, which is the functional and presentation currency of the Company.

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

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

(Amounts expressed in thousand Turkish Lira (“thousand TL”) unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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 commission revenue is generated from commission charges to invoices of customers’ transactions, based on pre-defined percentages. Income from factoring operations and commission revenue are recognized on accrual basis.

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.

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

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

(Amounts expressed in thousand Turkish Lira ("thousand TL") unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Property, plant and equipment (cont'd)

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

Intangible assets

Intangible assets acquired separately

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Computer software

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

Impairment of non-financial assets

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.

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

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

(Amounts expressed in thousand Turkish Lira (“thousand TL”) unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont’d)

Taxation and deferred income taxes (cont’d)

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 are 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.

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.

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

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

(Amounts expressed in thousand Turkish Lira (“thousand TL”) unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Foreign currency transactions

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

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

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. Accumulated gain and loss is recognized to profit and loss statement in disposal of financial assets or impairment.

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.

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

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

(Amounts expressed in thousand Turkish Lira (“thousand TL”) unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (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.

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.

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.

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

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

(Amounts expressed in thousand Turkish Lira ("thousand TL") unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities (cont'd)

Derivative financial instruments

The Company uses derivative financial instruments (primarily foreign currency forward contracts) to hedge its risks associated with foreign currency fluctuations. Derivatives are initially recognized at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognized in profit or loss immediately unless the derivative is designated and effective as a hedging instrument,

Fair value is determined per market prices if available, or per the discounted cash flows or per option pricing models. A derivative with a positive fair value is recognized as a financial asset whereas a derivative with a negative fair value is recognized as a financial liability.

Other financial liabilities

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

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

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

Provisions

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

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.

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

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

(Amounts expressed in thousand Turkish Lira (“thousand TL”) unless otherwise stated)

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.

If Company has objective evidence regarding the uncollectibility of the receivables that are subject of a factoring agreement, these receivables are considered to be 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 is 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.

Earnings per share

The Company’s shares are not traded in the Stock Exchange so earnings per share calculation is not presented.

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 initially recognized as assets of the Group 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 statement of financial position as a finance lease obligation. Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Group’s general policy on borrowing costs.

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

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

(Amounts expressed in thousand Turkish Lira (“thousand TL”) unless otherwise stated)

3. SIGNIFICANT ACCOUNTING POLICIES (cont’d)

Leasing (cont’d)

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Operating segments

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

Events after the Balance Sheet Date

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

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

Changes in Accounting Policies, Accounting Estimates and Errors:

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

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

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

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

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

(Amounts expressed in thousand Turkish Lira ("thousand TL") unless otherwise stated)

4. DIVIDENDS

Company has distributed 2,816 TL thousand dividends on May 10, 2010 by the Board decisions dated April 26, 2010.

5. CASH AND CASH EQUIVALENTS

	<u>31 December 2010</u>	<u>31 December 2009</u>
Cash on hand	1	1
Cash at banks	870	2,362
Demand deposits	870	332
Time deposits	-	2,030
Other	3,400	71
	<u>4,271</u>	<u>2,434</u>

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

There are no time deposits as of 31 December 2010.

<u>Currency Type</u>	<u>Interest rate</u>	<u>Maturity</u>	<u>31 December 2009</u>
USD	0.75 %	4 January 2010	<u>2,030</u>
			<u>2,030</u>

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

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

(Amounts expressed in thousand Turkish Lira ("thousand TL") unless otherwise stated)

6. FACTORING RECEIVABLES

	31 December 2010	31 December 2009
<u>Current trade receivables:</u>		
Factoring receivables	107,644	77,966
Due from related parties (Note:7)	15,910	8,026
Factoring receivables in aggregate	123,554	85,992
Provision for doubtful factoring receivables	(410)	(2,093)
	<u>123,144</u>	<u>83,899</u>
Factoring payables	(802)	(57)
Factoring receivables -- (net)	<u>122,342</u>	<u>83,842</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 2010</u>
USD	192,192	297
EUR	18,712,964	38,345
GBP	1,578,102	3,769
CHF	(74,795)	(123)
TL	80,053,922	80,054
Total		<u>122,342</u>

<u>Currency Type</u>	<u>Original Amount</u>	<u>31 December 2009</u>
USD	1,474,321	2,220
EUR	12,717,359	27,473
GBP	1,208,657	2,888
TL	51,260,895	51,261
Total		<u>83,842</u>

USD 192 Thousand, EUR 18,713 Thousand and GBP 1,578 Thousand worth of factoring receivables are subject to Libor + variable interest rates. (2009: USD 1,474 thousand, EUR 12,717 thousand and GBP 1,209 thousand)

The details of guarantees received against factoring receivables as of 31 December 2010 and 31 December 2009 are as follows:

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

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

(Amounts expressed in thousand Turkish Lira (“thousand TL”) unless otherwise stated)

6. FACTORING RECEIVABLES (cont’d)

	31 December 2010	31 December 2009
Mortgages	2,156	7,552
Customer notes	80,661	26,606
Customer cheques	23	1,511
Correspondent guarantees for exports	17,170	29,241
Guarantee	5,322	-
	<u>105,332</u>	<u>64,910</u>

Additionally the company has TL 69,112 thousand (31 December 2009: TL 45,151 thousand) of cheques portfolio and TL 5,466 thousand (31 December 2009: TL 1,442 thousand) 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 142 thousand (31 December 2009: TL 507 thousand). 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 2010	31 December 2009
Up to 30 days	96	497
Between 30 – 60 days	40	10
Between 60 – 90 days	6	-
Portion not due as of balance sheet date (*)	486	1,213
	<u>628</u>	<u>1,720</u>

(*) The Company’s factoring receivables which are overdue for less than 90 days amount to TL 142 thousand (31 December 2009: TL 507 thousand).

Collaterals held for the trade receivables which are overdue for less than 90 days as at 31 December 2010 are as follows:

Guarantees:

	31 December 2010	31 December 2009
Customer cheques	461	488
Customer notes	-	95
	<u>461</u>	<u>583</u>

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

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

(Amounts expressed in thousand Turkish Lira ("thousand TL") unless otherwise stated)

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 2010 and 31 December 2009 is as follows:

	1 January- 31 December 2010	1 January- 31 December 2009
Balance at beginning of the year	(2,093)	(1,809)
Period charge	(43)	(903)
Amounts recovered during the year	1,726	619
Balance at the end of the year	<u>(410)</u>	<u>(2,093)</u>

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

	31 December 2010	31 December 2009
Up to 90 days	-	-
Between 90 – 180 days	56	-
Between 180 – 360 days	6	670
360 days and above	3,607	4,974
	<u>3,669</u>	<u>5,644</u>

Guarantees obtained against doubtful factoring receivables:

	31 December 2010	31 December 2009
Mortgages	<u>2,688</u>	<u>3,021</u>
	<u>2,688</u>	<u>3,021</u>

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

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

(Amounts expressed in thousand Turkish Lira ("thousand TL") unless otherwise stated)

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 payables to related parties arise mainly from loans received via related parties which are due in 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 2010	31 December 2009
<u>Factoring receivables from related parties</u>		
Venüs Giyim San. ve Tic. A.Ş.	8,935	5,153
Tetaş İç ve Dış Ticaret A.Ş. (*)	6,657	1,846
Tema Lojistik ve Destek Hizm.San.Tic. AŞ	318	272
Tekbes Tekstil Makine Büro Ekipmanları San. Tic. A.Ş.	-	201
Teknoloji Elektrik Makine Tekstil San. İç ve Dış Tic.A.Ş.	-	181
Tec Tekstil Dokuma Baskı Matbaa Etiket San. ve Tic. A.Ş.	-	373
	<u>15,910</u>	<u>8,026</u>

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

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

	31 December 2010	31 December 2009
<u>Payables to related parties:</u>		
Tema Lojistik ve Destek Hiz. San. Ve Tic. A.Ş.	2	1
Venüs Giyim Sanayi ve Ticaret A.Ş.	-	9
Tetaş İç ve Dış Ticaret A.Ş. (*)	7,251	3,976
Tet Kağıt Ambalaj Sanayi ve Ticaret A.Ş.	-	9
Tet Sigorta Aracılık Hiz.A.Ş.	1	-
Tec Tekstil Dokuma Baskı Matbaa Etiket San.ve Tic. A.Ş.	7	-
Yatırım Finansal Kiralama A.Ş. (**)	3	34
	<u>7,264</u>	<u>4,029</u>

(*) The balance is corresponding to the loan amount obtained through related party Tetaş İç ve Dış Ticaret A.Ş. and is included in the borrowings (note 12). Maturity of the loan is 5 May 2011 and interest rate is 9.15%. (2009: 31 March 2009: 9.25%)

(**) 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 2010

(Amounts expressed in thousand Turkish Lira ("thousand TL") unless otherwise stated)

7. RELATED PARTY TRANSACTIONS (cont'd)

	1 January- 31 December 2010	1 January- 31 December 2009
<u>Interest revenue from related parties :</u>		
Tetaş İç ve Dış Ticaret A.Ş.	622	964
Tet Kağıt Ambalaj San. ve Tic. A.Ş.	-	169
Tec Tekstil Dokuma Baskı Matbaa Etiket San.ve Tic. A.Ş.	6	47
Venüs Giyim San. ve Tic. A.Ş.	238	146
Teknoloji Elektrik MakineTekstil San.İç ve Dış Tic.A.Ş	2	6
Tepaş Tekstil Pazarlama A.Ş	-	6
Tema Lojistik ve Destek Hizm.San.Tic. A.Ş.	39	1
Tekbes Tekstil Makine Büro Ekipmanları San. Tic. A.Ş.	10	35
	<u>917</u>	<u>1,374</u>
<u>Commission revenue from related parties :</u>		
Venüs Giyim San. ve Tic. A.Ş.	150	102
Tet Kağıt Ambalaj San. ve Tic. A.Ş.	-	7
Tetaş İç ve Dış Ticaret A.Ş.	43	37
Tekbes Tekstil Makine Büro Ekipmanları San. Tic. A.Ş.	2	3
Tema Lojistik ve Destek Hizm.San.Tic. A.Ş.	1	-
Tec Tekstil Dokuma Baskı Matbaa Etiket San.ve Tic. A.Ş.	-	1
	<u>196</u>	<u>150</u>
<u>Services obtained from related parties:</u>		
Tet Sigorta Aracılık Hizmetleri A.Ş.	15	18
Tec Tekstil Dokuma Baskı Matbaa Etiket San.ve Tic. A.Ş.	14	-
Tema Lojistik ve Destek Hizm. San. Tic. A.Ş.	12	-
Tetaş İç ve Dış Tic. A.Ş.	4	-
Temat Kırtasiye Büro Ekipman. Tekstil San. ve Tic. A.Ş.	-	1
	<u>45</u>	<u>19</u>
<u>Rent expenses to related parties :</u>		
Yatırım Finansal Kiralama A.Ş.	53	175
Tema Lojistik ve Destek Hizm.San.Tic. A.Ş.	8	-
Tetaş İç ve Dış Ticaret A.Ş.	3	8
	<u>64</u>	<u>183</u>
<u>Leasing expenses to related parties :</u>		
Yatırım Finansal Kiralama A.Ş.	<u>9</u>	<u>3</u>

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

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

(Amounts expressed in thousand Turkish Lira (“thousand TL”) unless otherwise stated)

7. RELATED PARTY TRANSACTIONS (cont'd)

Other expenses to related parties :

Yatırım Finansal Kiralama A.Ş.	49	100
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Remuneration of key management personnel (*) :

Short-term benefits (**)	1,108	1,106
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(*) Key management of the Company consists of general manager, assistant general managers and members of Board of Directors.

(**) Short- term benefits include the monetary rights such as wages, premiums, bonuses and other expenses.

8. OTHER RECEIVABLES AND ASSETS

	31 December 2010	31 December 2009
<u>Other receivables and current assets</u>		
Prepaid expenses	132	65
	132	65
<u>Other non-current assets</u>		
Deposits and guarantees given	18	18
	18	18

9. ASSETS HELD FOR SALE

	31 December 2010 TL (**)	31 December 2009 TL (*)
Assets held for sale	156	79
	156	79

(*) Since related property is not sold in one year, it is transferred to property, plant and equipments.

(**) The balance consists of asset held for resale.

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

(Amounts expressed in thousand Turkish Lira (" thousand TL") unless otherwise stated.)

10. PROPERTY, PLANT AND EQUIPMENT (NET)

<u>Cost value</u>	<u>Assets held for sale</u>	<u>Furniture and fixtures</u>	<u>Leasehold improvements</u>	<u>Total</u>
Opening balance as of 1 January 2010	26	290	220	536
Additions	-	469	19	488
Disposals	(8)	(83)	(4)	(95)
Closing balance as of 31 December 2010	18	676	235	929
<u>Accumulated depreciation:</u>				
Opening balance as of 1 January 2010	-	170	136	306
Charge of the year	-	59	22	81
Disposals	-	(3)	(1)	(4)
Closing balance as of 31 December 2010	-	226	157	383
Net book value as of 31 December 2010	18	450	78	546

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2010**

(Amounts expressed in thousand Turkish Lira ("thousand TL") unless otherwise stated.)

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

<u>Cost value</u>	Furniture and Leasehold		Total
	Assets held for Sale	Fixtures and Improvements	
Opening balance as of 1 January 2009	-	148	434
Additions	26	73	144
Disposals	-	(1)	(42)
Closing balance as of 31 December 2009	26	220	536
<u>Accumulated depreciation:</u>			
Opening balance as of 1 January 2009	-	115	248
Charge of the year	-	22	97
Disposals	-	(1)	(39)
Closing balance as of 31 December 2009	-	136	306
Net book value as of 31 December 2009	26	84	230

STRATEJİ FACTORİNG HİZMETLERİ A.Ş.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

(Amounts expressed in thousand Turkish Lira ("thousand TL") unless otherwise stated)

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

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

	<u>Useful life</u>
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 2009	98	98
Additions	-	-
Disposals	-	-
Closing balance as of 31 December 2009	<u>98</u>	<u>98</u>
Additions	78	78
Disposals	-	-
Closing balance as of 31 December 2010	<u>176</u>	<u>176</u>
<u>Accumulated amortisation:</u>		
Opening balance as of 1 January 2009	87	87
Charge of the year	9	9
Closing balance as of 31 December 2009	<u>96</u>	<u>96</u>
Charge of the year	14	14
Closing balance as of 31 December 2010	<u>110</u>	<u>110</u>
<u>Net book values:</u>		
Net book value as of 31 December 2009	<u>2</u>	<u>2</u>
Net book value as of 31 December 2010	<u>66</u>	<u>66</u>

Rights are amortised in 5 years.

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12. BORROWINGS

The details of short term bank borrowings as of 31 December 2010 and 31 December 2009 are as follows;

Currency Type	Interest rate %	Original Amount	31 December 2010
TL	7.50% - 10.40%	-	66,522
USD	Libor + 0.75%	133,224	206
EUR	Libor + 0.61%	20,236,265	41,466
GBP	Libor + 0.75%	1,701,379	4,064
CHF	Libor + 0.75%	5,358	9
Interest expense accruals			944
			<u>113,211</u>

Currency Type	Interest rate %	Original Amount	31 December 2009
TL	8.15% - 12.00%	-	40,762
USD	Libor + 1,25%	1,438,875	2,167
EUR	Libor + 0.76%	11,673,134	25,217
GBP	Libor + 0.75%	1,208,791	2,888
Interest expense accruals			583
			<u>71,617</u>

TL 67,466 thousand (2009: TL 41,344 thousand) worth of bank borrowings have fixed interest rates, exposing the Company to interest risk. Other borrowings, which are subject to variable interest rates, expose the Company to cash management risk.

As of 31 December 2010, Company has an unused credit limit of TL 51,900 thousand (31 December 2009: TL 70,379 thousand).

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13. OBLIGATIONS UNDER FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2010	31 December 2009	31 December 2010	31 December 2009
Finance Lease Payables				
Within one year	135	22	120	21
In the second to fifth years inclusive	154	15	139	12
	<u>289</u>	<u>37</u>	<u>259</u>	<u>33</u>
Less : Future finance charges	(30)	(4)	-	-
Present value of finance lease obligations	<u>259</u>	<u>33</u>	<u>259</u>	<u>33</u>
Less: Amounts due to settlement within twelve months	121	21		
Amounts due for settlement after 12 months	138	12		

14. DERIVATIVE FINANCIAL INSTRUMENTS

	31 December 2010	31 December 2009
Derivative financial instruments	17	-
	<u>17</u>	<u>-</u>

15. OTHER PAYABLES AND EXPENSE ACCRUALS

	31 December 2010	31 December 2009
Taxes and dues payable	212	180
Commissions payable to factoring agencies	73	62
Other	74	55
	<u>359</u>	<u>297</u>

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16. PROVISION FOR EMPLOYEE BENEFITS

The details of provision for employee benefits for December 31, 2010 and December 31, 2009 as follows:

	31 December 2010	31 December 2009
Short-term		
- Unused vacation	119	61
Long-term		
- Provision for termination benefits	36	22

Under Turkish Labour Law, the Company is required to pay employment termination benefits to each employee who has qualified. Also, employees are required to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions according to current 506 numbered Social Insurance Law's 6 March 1981 dated, 2422 numbered, 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 2,517.01 (2009: TL 2,365.16) for each period of service at 31 December 2010.

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

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2009, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 5.10% and a discount rate of 11%, resulting in a real discount rate of approximately 4.66% (31 December 2009: inflation rate of 4.8% and a discount rate of 11%, resulting in a real discount rate of approximately 5.92%). The anticipated rate of forfeitures is considered. As the maximum liability is revised semi annually, the maximum amount of TL 2,623.23 effective from 1 January 2010 has been taken into consideration in calculation of provision from employment termination benefits.

	1 January- 31 December 2010	1 January- 31 December 2009
Provision at 1 January	22	14
Current year charge	22	29
Employee termination benefits paid	(8)	(21)
Provision at 31 December	36	22

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17. TAXATION ON INCOME

	31 December 2010	31 December 2009
<u>Current tax liability:</u>		
Current corporate tax provision	270	411
Prepaid taxes and funds	(337)	(313)
	<u>(67)</u>	<u>98</u>
<u>Income tax expense comprises:</u>		
Current tax	270	411
Deferred tax charge / (benefit)	174	(105)
	<u>444</u>	<u>306</u>

Corporate Tax:

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

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

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

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

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

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

Income withholding tax:

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% commencing from 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Withholding tax at the rate of 19.8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, companies can deduct 40% of the investments within the scope of the investment incentive certificate and that are directly related to production facilities of the company. The investments without investment incentive certificates do not qualify for tax allowance.

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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17. TAXATION ON INCOME (cont’d)

Investment Incentive:

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

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

Deferred Tax:

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

For calculation of deferred tax asset and liabilities, the rate of 20 % (2009: 20%) is used.

<u>Deferred tax (assets) / liabilities</u>	<u>31 December 2010</u>	<u>31 December 2009</u>
Restatement and depreciation / amortisation differences of property, plant and equipment and other intangible assets	5	5
Provision for employee termination benefits	(7)	(4)
Unused vacation pay provision	(24)	(12)
Adjustment on factoring provisions	(58)	(251)
Expense accruals on derivative transactions	(4)	-
Deferred tax (asset) / liability	<u>(88)</u>	<u>(262)</u>

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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17. TAXATION ON INCOME (cont'd)

Deferred Tax: (cont'd)

Movements of deferred tax (assets) / liabilities for the years ended 31 December 2010 and 2009 are as follows:

	1 January- 31 December 2010	1 January- 31 December 2009
Opening balance at 1 January	(262)	(157)
Charged to profit or loss for the year	174	(105)
Closing balance at 31 December	(88)	(262)

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

	1 January- 31 December 2010	1 January- 31 December 2009
<u>Reconciliation of taxation:</u>		
Profit before tax	2,075	1,736
Tax at the domestic income tax rate of 20% (2009: 20%)	415	347
Tax effects of:		
-Expenses that are not deductible in determining taxable profit	1,160	13
-Other allowances	(1,061)	(17)
-Non-taxable IFRS adjustments	(70)	(37)
Tax expense	444	306

18. COMMITMENTS AND CONTINGENCIES

	31 December 2010	31 December 2009
<u>Guarantees given</u>		
Legal claims	267	266
Guarantees given to banks for loans	73,403	44,550
	73,670	44,816

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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19. SHARE CAPITAL AND LEGAL RESERVES

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

<u>Shareholders</u>	<u>(%)</u>	<u>31 December</u>		<u>31 December</u>	
		<u>2010</u>	<u>(%)</u>	<u>2009</u>	
TE Holding A.Ş.	48.43	5,327	48.43	4,116	
Teknoloji Elekt. Mak. Tekst. San. A.Ş.	23.75	2,613	23.75	2,019	
Venüs Giyim Sanayi ve Ticaret A.Ş.	22.80	2,508	22.80	1,938	
Nejat Zafer Ataman	5.00	550	5.00	425	
Erol Günendi	0.01	1	0.01	1	
Moris Yaffee	0.01	1	0.01	1	
Nominal capital	100.00	11,000	100.00	8,500	
Inflation adjustment		6,170		6,980	
Adjusted capital		<u>17,170</u>		<u>15,480</u>	
			<u>31 December</u>	<u>31 December</u>	
			<u>2010</u>	<u>2009</u>	
Legal reserves			<u>602</u>	<u>258</u>	
			<u>602</u>	<u>258</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.

Capital increase and dividends paid in current year have been made from the accounts of "Retained Earnings" and "Inflation adjustment on share capital" per the Company's statutory financial statements not per its IFRS financial statements.

20. INCOME FROM FACTORING OPERATIONS

The details of revenue generated are as follows:

	<u>1 January-</u> <u>31 December</u> <u>2010</u>	<u>1 January-</u> <u>31 December</u> <u>2009</u>
Factoring service revenue	12,617	9,809
Factoring commissions revenue	<u>1,908</u>	<u>1,576</u>
	<u>14,525</u>	<u>11,385</u>

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NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2010

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21. COST OF FACTORING SERVICES

	1 January - 31 December 2010	1 January - 31 December 2009
Commission expenses to other factoring agencies	(674)	(485)
	<u>(674)</u>	<u>(485)</u>

22. OPERATING EXPENSES

	1 January - 31 December 2010	1 January - 31 December 2009
Personnel expenses	(3,026)	(2,446)
Provision expenses	(114)	(775)
Benefits to board of directors	(1,108)	(1,106)
Rent expense	(644)	(517)
Travel expenses	(193)	(131)
Consulting expenses	(127)	(95)
Depreciation and amortisation expense	(95)	(106)
Vergi resim harçlar	(88)	(28)
Losses from transfer of receivables	(736)	-
Other operating expenses	(938)	(417)
	<u>(7,069)</u>	<u>(5,621)</u>

23. FOREIGN CURRENCY POSITION

<u>31 December 2010</u>	Thousand TL Equivalent of USD	Thousand TL Equivalent of EUR	Thousand TL Equivalent of CHF	Thousand TL Equivalent of GBP	Total Thousand TL
Cash and cash equivalents	80	3,464	138	335	4,017
Factoring receivables	297	38,345	(123)	3,769	42,288
Borrowings	(206)	(41,466)	(9)	(4,064)	(45,745)
Finance Lease Payables	(13)	(245)	-	-	(258)
Other current liabilities	(1)	(70)	(1)	(7)	(79)
Net position	<u>157</u>	<u>28</u>	<u>5</u>	<u>33</u>	<u>223</u>

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23. FOREIGN CURRENCY POSITION (cont'd)

<u>31 December 2009</u>	Thousand TL Equivalent of USD	Thousand TL Equivalent of EUR	Thousand TL Equivalent of CHF	Thousand TL Equivalent of GBP	Total Thousand TL
Cash and cash equivalents	2,114	32	1	67	2,214
Factoring receivables	2,220	27,473	-	2,888	32,581
Borrowings	(2,167)	(25,217)	-	(2,889)	(30,273)
Finance Lease Payables	(33)	-	-	-	(33)
Other current liabilities	(63)	-	-	-	(63)
Net position	2,071	2,288	1	66	4,426

(*) Including interest accruals

	Average Currency rate	Foreign Currency Amount	Notional	Fair Value	Total
Unrealized purchase/sales agreement					
US Dollar sales					
3-6 months	1.534	500	767	773	773
					773

24. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Capital risk management

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

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

(b) Significant accounting policies

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

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

(c) Categories of financial instruments

	31 December 2010	31 December 2009
<u>Financial assets:</u>		
Cash and cash equivalents	4,271	2,434
Factoring receivables	122,342	83,842
<u>Financial liabilities:</u>		
Borrowings	113,211	71,617
Finance Lease Payables	259	33

(d) Financial risk management objectives

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

(e) Market risk

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

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

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

(f) Foreign currency risk management

Foreign currency transactions cause foreign currency risk. The Company's assets and liabilities denominated in foreign currencies are disclosed in Note 23.

Foreign currency sensitivity

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

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

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

	USD Effect		EUR Effect	
	2010	2009	2010	2009
Profit	24	311	4	343
(Loss)	(24)	(311)	(4)	(343)

(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 is fixed during the reporting period. The Company management makes its sensitivity analysis based on 100 base point interest rate fluctuation scenarios.

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 464 thousand (2009: TL 54 thousand). Interest expense from fixed interest rate borrowings would increase by TL 96 thousand (2009: TL 298 thousand).

(h) Other price risks

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

(i) Credit risk management

Credit risks refer to the risk that 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.

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

(i) Credit risk management (cont'd)

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

	31 December 2010	31 December 2009
Textile	54,270	45,131
Construction	7,384	10,974
Paper production	3,451	3,450
Pharmaceutical and chemical	2,392	4,130
Metallurgy	11,575	4,426
Electrical appliances	1,414	3,102
Nutrition	3,559	1,907
Automotive	1,234	1,705
Manufacturing	26,087	2,012
Mining	1,593	1,214
Transportation	4,600	1,880
Retail	1,067	338
Other	3,716	3,573
	<u>122,342</u>	<u>83,842</u>

Industrial allocation of factoring receivables is as follows:

	31 December 2010 %	31 December 2009 %
Textile	44.36	53.83
Construction	6.04	13.09
Paper production	2.82	4.11
Pharmaceutical and chemical	1.96	4.93
Metallurgy	9.46	5.28
Electrical appliances	1.16	3.70
Nutrition	2.91	2.27
Automotive	1.00	2.03
Manufacturing	21.32	2.40
Mining	1.30	1.45
Transportation	3.76	2.24
Retail	0.87	0.40
Others	3.04	4.27
	<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.

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

(j) Liquidity risk management (cont'd)

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.

31 December 2010:

	Up to 1 month	Between 1-3 months	Between 3-12 months	Adjustments	Total
Cash and cash equivalents	4,271	-	-	-	4,271
Factoring receivable	37,850	65,535	18,957	-	122,342
Total assets	42,121	65,535	18,957	-	126,613
Borrowings	(34,271)	(70,115)	(9,567)	742	(113,211)
Total liabilities	(34,271)	(70,115)	(9,567)	742	(113,211)
Net liquidity position	7,850	(4,580)	9,390	742	13,402

31 December 2009:

	Up to 1 Month	Between 1-3 months	Between 3-12 months	Adjustments	Total
Cash and cash equivalents	2,434	-	-	-	2,434
Factoring receivable	37,571	36,649	9,622	-	83,842
Total assets	40,005	36,649	9,622	-	86,276
Borrowings	(18,758)	(17,550)	(35,824)	515	(71,617)
Total liabilities	(18,758)	(17,550)	(35,824)	515	(71,617)
Net liquidity position	21,247	19,099	(26,202)	515	14,659

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

(k) Categories of financial instruments and fair values

	31 December 2010	Financial assets at amortized cost	Loans and receivables	Financial liabilities at amortised cost	Carrying value	Fair value	Note
<u>31 December 2010</u>							
<u>Financial assets</u>							
Cash and cash equivalents	4,271	-	-	-	4,271	4,271	5
Factoring receivable	-	122,342	-	-	122,342	122,342	6
<u>Financial liabilities</u>							
Borrowings	-	-	-	(113,211)	(113,211)	(113,211)	12
Obligations under finance leases	-	-	-	(259)	(259)	(259)	13
<u>31 December 2009</u>							
<u>Financial assets</u>							
Cash and cash equivalents	2,434	-	-	-	2,434	2,434	5
Factoring receivable	-	83,842	-	-	83,842	83,842	6
<u>Financial liabilities</u>							
Borrowings	-	-	-	(71,617)	(71,617)	(71,617)	12
Obligations under finance leases	-	-	-	(33)	(33)	(33)	13