Fiba Faktoring Hizmetleri Anonim Şirketi

Financial Information
As of and For the Year Ended
31 December 2007
With Independent Auditors' Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

5 March 2008

This report includes 1 page of independent auditors' report of financial information and 36 pages of financial statements together with its explanatory notes.

Fiba Faktoring Hizmetleri
Anonim Şirketi

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KPMG

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
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Independent auditors' report

To the Board of Directors of
Fiba Faktoring Hizmetleri Anonim Şirketi

Report on the financial statements

We have audited the accompanying financial statements of Fiba Faktoring Hizmetleri Anonim Şirketi ("the Company"), which comprise the balance sheet as at 31 December 2007, the income statement, and the statement of cash flows 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 misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' 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 relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company'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 principles 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 opinion.

Opinion

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

KPMG Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

5 March 2008
İstanbul, Turkey

Fiba Faktoring Hizmetleri Anonim Şirketi

Balance Sheet
As of 31 December 2007
(Currency: New Turkish Lira ("YTL"))

	Note	2007	2006
Assets			
Cash and cash equivalents	*8*	37,101,576	34,108,987
Derivative financial instruments	*9*	15,106	-
Due from related parties	*22*	118,437	585,000
Factoring receivables	*10*	880,723,843	701,551,977
Investment securities	*11*	122,730,179	105,516,825
Property and equipment	*12*	4,998,327	3,703,391
Intangible assets	*13*	417,590	493,710
Other assets	*14*	909,498	524,199
Total assets		**1,047,014,556**	**846,484,089**
Liabilities			
Due to related parties	*22*	3,060,968	2,493,265
Factoring payables	*15*	428,002,611	287,632,840
Loans and borrowings	*16*	356,647,605	301,152,427
Current tax liabilities	*7*	-	2,195,740
Deferred tax liabilities	*7*	2,486,292	3,558,942
Employee benefits	*17*	1,540,611	255,579
Other liabilities	*18*	11,122,305	13,043,146
Total liabilities		**802,860,392**	**610,331,939**
Equity			
Share capital	*19*	44,378,194	44,378,194
Fair value reserve	*19*	63,907,043	64,222,481
Retained earnings	*19*	135,868,927	127,551,475
Total shareholders' equity		**244,154,164**	**236,152,150**
Total liabilities and equity		**1,047,014,556**	**846,484,089**
Commitments and contingencies	*21*		

The notes on pages 5 to 36 are an integral part of these financial statements.

Fiba Faktoring Hizmetleri Anonim Şirketi

Income Statement
For the Year Ended 31 December 2007
(Currency: New Turkish Lira ("YTL"))

	Note	2007	2006
Interest income			
Interest income on factoring receivables		97,907,508	51,902,153
Interest income on cash and cash equivalents		4,235,350	1,257,660
Total interest income		**102,142,858**	**53,159,813**
Interest expense			
Interest expense on loans and borrowings		(23,303,227)	(15,591,341)
Total interest expense		**(23,303,227)**	**(15,591,341)**
Net interest income		**78,839,631**	**37,568,472**
Factoring commission income		4,431,302	3,256,139
Factoring commission expense		(521,860)	(411,339)
Commission expense on letter of guarantees		(3,636,482)	(2,159,228)
Net commission income		**272,960**	**685,572**
Gain on sale of investments available-for-sale	*11*	-	104,607,944
Foreign exchange gains / (losses)		38,671,934	(17,438,122)
Dividend income		180,000	8,822,832
Other operating income		851,486	891,342
		39,703,420	**96,883,996**
Operating income		**118,816,011**	**135,138,040**
Net impairment loss on financial assets	*9*	(9,227,560)	(593,993)
Personnel expenses		(5,410,249)	(2,739,698)
Administrative expenses	*5*	(2,593,277)	(2,753,893)
Depreciation and amortisation	*12, 13*	(561,331)	(416,154)
Other expenses	6	(53,795,137)	(1,956,931)
Profit before income taxes		**47,228,457**	**126,677,371**
Income tax expense	*7*	(9,911,005)	(7,971,193)
Net profit for the year		**37,317,452**	**118,706,178**

The notes on pages 5 to 36 are an integral part of these financial statements.

Fiba Faktoring Hizmetleri Anonim Şirketi

Statement of Cash Flows
For the Year Ended 31 December 2007
(Currency: New Turkish Lira (“YTL”))

	Note	2007	2006
Cash flows from operating activities			
Net profit for the year		37,317,452	118,706,178
Components of net profit / (loss) not generating or using cash			
Deferred taxation (benefit)/charge	*7*	(1,068,653)	611,261
Current corporation tax charge	*7*	10,979,658	7,359,932
Depreciation and amortisation	*12, 13*	561,331	416,154
Provision for doubtful receivables	*10*	9,336,158	1,536,743
Derivative financial instruments	*9*	(15,105)	-
Bonus provision	*17*	1,182,719	-
Interest income accrual on time deposits		139,682	(224,271)
Interest expense accrual on bank borrowings		(415,679)	1,463,234
Gain on sale of property and equipment		-	(33,432)
Gain on sale of available for sale securities		-	(104,607,944)
Factoring interest income accrual		(2,040,447)	8,120,593
Provision for employee benefits	*17*	1,288,737	137,697
Changes in operating assets and liabilities			
Due from related parties		466,563	314,371
Other assets		296,601	97,000
Employee severance paid	*18*	(3,705)	(37,161)
Due to related parties		567,703	2,263,191
Other liabilities		(3,258,853)	(18,110,122)
Factoring receivables		(188,508,024)	(580,516,380)
Factoring payables		140,369,771	267,998,245
Taxes paid	*7*	(11,661,558)	(5,164,192)
Net cash used in operating activities		**(4,465,649)**	**(299,668,903)**
Investing activities:			
Investment securities		(17,532,790)	(12,201,760)
Purchase of property and equipment	*12*	(1,739,806)	(444,706)
Purchase of intangible assets		(40,341)	(422,540)
Proceeds from disposal of property and equipment		-	57,216
Proceeds from disposal of investment securities		-	144,561,300
Net cash provided by / (used in) investing activities		**(19,312,937)**	**131,549,510**
Financing activities:			
Net change in loans and bank borrowings		55,910,857	201,351,895
Dividends paid		(29,000,000)	-
Net cash provided by financing activities		**26,910,857**	**201,351,895**
Net increase in cash and cash equivalents		**3,132,271**	**33,232,502**
Cash and cash equivalents at 1 January		33,884,716	652,214
Cash and cash equivalents at 31 December		**37,016,987**	**33,884,716**

The notes on pages 5 to 36 are an integral part of these financial statements.

Notes to the financial statements

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1 Reporting entity

Fiba Faktoring Hizmetleri Anonim Şirketi ("Fiba Faktoring" or the "Company") was established in 1992 to provide factoring services to industrial and commercial firms, and is registered in Turkey.

The address of the registered office of Fiba Faktoring is as follows:

1. Levent Plaza A Blok Kat: 2, 7 Büyükdere Caddesi No: 173 1. Levent 34330 Istanbul-Turkey.

The number of employees of the Company at 31 December 2007 is 70 (31 December 2006: 47).

2 Basis of preparation

(a) Statement of compliance

The Company maintains its books of account and prepares its statutory financial statements in New Turkish Lira ("YTL") in accordance with the Turkish Uniform Chart of Accounts, the Turkish Commercial Code (the "TCC"), and Tax Legislation. The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following:

- derivative financial instruments are measured at fair value
- investment securities classified as available-for-sale which have a quoted market price in an active market.

(c) Functional and presentation currency

These financial statements are presented in YTL, which is the Company's functional currency. All financial information presented in YTL is rounded to the nearest digit.

(d) Use of estimates and judgments

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 4 – Financial assets and liabilities – Determination of fair values
- Note 7 – Taxation
- Note 17 – Employee benefits
- Note 21 – Commitments and contingencies

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Accounting in hyperinflationary economies

International Accounting Standard ("IAS") No. 29, which deals with the effects of inflation in the financial statements, requires that financial statements prepared in the currency of a hyperinflationary economy to be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three year inflation rate approaching or exceeding 100%.

The cumulative three-year inflation rate in Turkey has been 35.61% as of 31 December 2005, based on the Turkish nation-wide wholesale price indices announced by Turkish Statistical Institute. This, together with the sustained positive trend in the quantitative factors such as financial and economical stabilization, decrease in the interest rates and the appreciation of YTL against the US Dollars ("USD"), have been taken into consideration to categorise Turkey as a non-hyperinflationary economy under IAS 29 effective from 1 January 2006. Therefore, IAS 29 has not been applied to the accompanying financial statements as of and for the years ended 31 December 2007 and 2006.

(b) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into YTL at the exchange rates ruling at balance sheet date with the resulting exchange differences recognised in the income statement as foreign exchange gain or loss. Gains and losses arising from foreign currency transactions are reflected in the income statement as realised during the course of the period.

(c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, factoring receivables, due from related parties, other assets, investment in equity securities, loans and borrowings, factoring payables, due to related parties and other liabilities.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash on hand and cash at banks.

Accounting for interest income and expense is discussed in Note 3 (l).

3 Significant accounting policies *(continued)*

(c) Financial instruments *(continued)*

(i) Non-derivative financial instruments *(continued)*

Factoring receivables and other assets

Factoring receivables are measured at amortised cost less specific allowances for uncollectability and unearned interest income. Specific allowances are made against the carrying amount of factoring receivables and that are identified as being impaired based on regular reviews of outstanding balances to reduce factoring receivables to their recoverable amounts. When a factoring receivable is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, receivable are written off immediately. Subsequent to initial recognition, other assets are measured at cost due to their short-term nature.

Loans and borrowings

Bank borrowings are recognised initially at cost, net of any transaction costs incurred. Subsequent to initial recognition, bank borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings.

Investments in equity securities

Investments in equity securities are classified as available-for-sale assets. Available-for-sale assets are financial assets that are not held for trading purposes, or held to maturity. Except for investments in equity securities which have a quoted market price in an active market, they are measured at cost less impairment losses as their fair values cannot be estimated reasonably.

When equity investments are disposed of, any resulting gain or loss is recognised in the income statement as the difference between the sales price and the carrying amount of the investment.

Other

Other non-derivative financial investments including time deposits and factoring payables are measured at amortised cost using the effective interest method.

Demand deposits and other liabilities are measured at cost.

(ii) Derivative financial instruments

The Company holds derivative financial instruments to hedge its foreign currency risk exposure.

Swaps are recognised initially at fair value; attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, swaps are measured at fair value, and changes in the fair value of such swaps are recognised in the income statement as part of foreign currency gain and losses.

(iii) Share capital

Ordinary shares

Incremental costs directly attributable to issue of ordinary shares and share options are recognised as a deduction from equity.

Share capital increased pro-rata to existing shareholders is accounted for at par value as approved at the annual meeting of shareholders.

(Currency: New Turkish Lira ("YTL"))

3 Significant accounting policies *(continued)*

(d) Property and equipment

(i) Recognition and measurement

Items of property and equipment acquired before 1 January 2006 are measured at cost restated for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29 less accumulated depreciation and impairment losses. Property and equipment acquired after 1 January 2006 are measured at cost, less accumulated depreciation, and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset.

When parts of an item of property and equipment have different useful lives, they are accounted for as separate items (major components) of property and equipment.

(ii) Subsequent costs

The cost of replacing part of an item of property and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The costs of the day-to-day servicing of property and equipment are recognised in the income statement as incurred.

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful lives for the current and comparative periods are as follows:

Buildings	50 years
Motor vehicles	5 years
Furniture and fixtures	5 years

Leasehold improvements are amortised over the periods of the respective leases on a straight-line basis.

(e) Intangible assets

Intangible assets represent computer software licenses and rights. Intangible assets acquired before 1 January 2006 are measured at cost restated for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, less accumulated amortisation, and impairment losses. Intangible assets acquired after 1 January 2006 are measured at cost, less accumulated amortisation, and impairment losses. Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative periods are between 3 and 15 years.

(f) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised on the Company's balance sheet.

3 Significant accounting policies *(continued)*

(g) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of available-for-sale financial assets is calculated by reference to its current for value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in the income statement. For available-for-sale financial assets that are equity securities and whose fair value is reliably measured, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the Company's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3 Significant accounting policies *(continued)*

(h) Employee benefits

(i) Reserve for employee severance payments

In accordance with the existing social legislation in Turkey, the Company is required to make certain lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of an agreed formula, are subject to certain upper limits and are recognised in the accompanying financial statements as accrued. The reserve has been calculated by estimating the present value of the future obligation of the Company that may arise from the retirement of the employees.

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(i) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

(j) Offsetting

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

(k) Related parties

For the purpose of accompanying financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and investments are considered and referred to as the related parties.

3 Significant accounting policies *(continued)*

(l) Interest

Interest income and expense are recognised in the income statement using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the income statement include interest on financial assets and liabilities at amortised cost on an effective interest rate basis.

(m) Fees and commission

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

(n) Dividends

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities.

(o) Income tax

Income tax comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided, using the balance sheet liability method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities and assets are recognised when it is probable that the future economic benefits resulting from the reversal of taxable temporary differences will flow to or from the Company. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deferred tax asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Currently enacted tax rates are used to determine deferred taxes on income.

3 Significant accounting policies *(continued)*

(p) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2007, and have not been applied in preparing these financial statements:

- IFRS 8 Operating Segments introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Company's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Company's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. It is not expected to have any impact on the financial statements.
- Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Company's 2009 financial statements and will constitute a change in accounting policy for the Company. It is not expected to have any impact on the financial statements.
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Company's 2008 financial statements, with retrospective application required. It is not expected to have any impact on the financial statements.
- IFRIC 12 Service Concession Arrangements provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Company's 2008 financial statements, is not expected to have any effect on the financial statements.
- IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Company's 2009 financial statements, is not expected to have any impact on the financial statements.
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements ("MFR") on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Company's 2008 financial statements, with retrospective application required. Since post-retirement benefit plans are not funded in Turkey, as there is no funding requirement, it is not expected to have any impact on the financial statements.

(Currency: New Turkish Lira ("YTL"))

4 Financial assets and liabilities

Accounting classification

The table below sets out the Company's classification of each class of financial assets and liabilities.

	Trading	Loans and receivables	Available-for-sale	Total
31 December 2007				
Cash and cash equivalents	-	37,101,576	-	37,101,576
Derivative financial instruments	15,106	-	-	15,106
Due from related parties	-	118,437	-	118,437
Factoring receivables	-	880,723,843	-	880,723,843
Investment securities	-	-	122,730,179	122,730,179
	15,106	**917,943,856**	**122,730,179**	**1,040,689,141**
Due to related parties	-	3,060,968	-	3,060,968
Factoring payables	-	428,002,611	-	428,002,611
Loans and borrowings	-	356,647,605	-	356,647,605
	-	**787,711,184**	**-**	**787,711,184**

	Trading	Loans and receivables	Available-for-sale	Total
31 December 2006				
Cash and cash equivalents	-	34,108,987	-	34,108,987
Due from related parties	-	585,000	-	585,000
Factoring receivables	-	701,551,977	-	701,551,977
Investment securities	-	-	105,516,825	105,516,825
	-	**736,245,964**	**105,516,825**	**841,762,789**
Due to related parties	-	2,493,265	-	2,493,265
Factoring payables	-	287,632,840	-	287,632,840
Loans and borrowings	-	301,152,427	-	301,152,427
	-	**591,278,532**	**-**	**591,278,532**

(Currency: New Turkish Lira ("YTL"))

4 Financial assets and liabilities *(continued)*

Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and / or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price.

The estimated fair values of financial instruments have been determined using available market information by the Company, and where it exists, appropriate valuation methodologies. However, judgment is necessary required to interpret market data to determine the estimated fair value. While management has used available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realised in the current circumstances. Management has estimated that the fair value of certain balance sheet instruments is not materially different than their recorded values due to their short nature. These balance sheet instruments include cash and cash equivalents, due from related parties, factoring receivables, due to related parties and factoring payables.

The investments are classified as available-for-sale and except for Finansbank A.Ş., others do not have a quoted market price in an active market and other methods of reasonably estimating their market values would be inappropriate and unworkable, accordingly they are stated at cost, including the restatement for the effects of inflation till 1 January 2006, less impairment losses.

As at 31 December 2007 and 2006, the fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	31 December 2007		31 December 2006	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Cash and cash equivalents	37,101,576	37,101,576	34,108,987	34,108,987
Derivative financial instruments	15,106	15,106	-	-
Due from related parties	118,437	118,437	585,000	585,000
Factoring receivables	880,723,843	880,723,843	701,551,977	701,551,977
Investment securities	122,730,179	122,730,179	105,516,825	105,516,825
Financial liabilities				
Due to related parties	3,060,968	3,060,968	2,493,265	2,493,265
Factoring payables	428,002,611	428,002,611	287,632,840	287,632,840
Loans and borrowings	356,647,605	355,928,193	301,152,427	300,910,658

(Currency: New Turkish Lira ("YTL"))

5 Administrative expenses

For the years ended 31 December, administrative expenses comprised the following:

	2007	2006
Miscellaneous office expenses	646,178	241,870
Travel expenses	600,374	380,960
Consultancy expenses	424,980	1,227,562
Communication expenses	153,488	78,566
IT expenses	136,034	39,390
Stationary expenses	121,579	60,192
PR and advertising expenses	60,942	177,737
Insurance expenses	35,186	24,233
Leasing expenses	1,130	84,236
Others	413,386	439,147
	2,593,277	**2,753,893**

6 Other expenses

For the years ended 31 December, other expenses comprised the following:

	2007	2006
Donations	50,510,811	1,608,460
Others	3,284,326	348,471
	53,795,137	**1,956,931**

Donations include expenditures made to Hüsnü M. Özyeğin Foundation amounting to YTL 4,176,680 and Özyeğin University amounting to YTL 30,000,000 for the year ended 31 December 2007 (2006: donations include expenditures donated to Hüsnü M. Özyeğin Foundation amounting to YTL 1,600,000) and to other various donations YTL 4,199,194 and also include progress payments of donated school constructions in progress amounting to YTL 12,134,937 (2006: YTL 8,460).

(Currency: New Turkish Lira ("YTL"))

7 Taxation

As of 31 December 2007, corporate income tax is levied at the rate of 20% (31 December 2006: 20%) on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes. There is also a withholding tax levied at a certain rate on the dividends paid and is accrued only at the time of such payments. Some of the deduction rates included in the 15^{th} and 30^{th} articles of the Law no. 5520 on the Corporate Tax, has been redefined according to the cabinet decision numbered 2006/10731, which has been announced at Trade Registry Gazette of 23 July 2006-26237. In this context, withholding tax rate on dividend payments which are made to the companies except those are settled in Turkey or generate income in Turkey via a business or a regular agent has been increased to 15% from 10%.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

In Turkey, the transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of "disguised profit distribution via transfer pricing". The General Communiqué on disguised profit distribution via Transfer Pricing, dated 18 November 2007 sets details about implementation.

If a taxpayer enters into transactions regarding sale or purchase of goods and services with related parties, where the prices are not set in accordance with arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. Such disguised profit distributions through transfer pricing are not accepted as tax deductible for corporate income tax purposes.

The income tax expense for the years ended 31 December comprised the following items:

	2007	**2006**
Current tax expense	(10,979,658)	(7,359,932)
Deferred taxes on taxable temporary differences	1,068,653	(611,261)
Income tax expense	**(9,911,005)**	**(7,971,193)**

(Currency: New Turkish Lira ("YTL"))

7 Taxation *(continued)*

The reported income tax expense for the years ended 31 December are different than the amounts computed by applying the statutory tax rate to profit before tax as shown in the following reconciliation:

	2007		2006	
	Amount	**%**	**Amount**	**%**
Profit before income tax	47,228,457		126,677,371	
Income taxes using the domestic tax rate	9,445,691	20.00	25,335,474	20.00
Tax exempt income	(436,875)	(0.92)	(19,707,446)	(15.56)
Non-deductible expenses	902,189	1.91	2,199,015	1.74
Effect of change in tax rate	-	-	144,150	0.11
Income tax expense	**9,911,005**	**2.99**	**7,971,193**	**6.29**

In accordance with the related regulation for prepaid taxes on income, advance payments during the year are being deducted from the final tax liability computed over current year operations. Accordingly, the income tax expense is not equal to the final tax liability appearing on the balance sheet.

The current tax liabilities as at 31 December 2007 and 2006 comprised the following:

	2007	**2006**
Taxes on income	10,979,658	7,359,932
Less: Corporation tax paid in advance	(11,661,558)	(5,164,192)
Current tax liabilities / (Prepaid taxes)	**(681,900)**	**2,195,740**

As of 31 December 2007, since the Company's corporation taxes paid in advance is greater than income tax expense, prepaid income taxes is included in other assets (Note 14).

(Currency: New Turkish Lira ("YTL"))

7 Taxation *(continued)*

Deferred income tax is provided, using the balance sheet liability method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the initial recognition of assets and liabilities which effect neither accounting nor taxable profit.

At 31 December 2007 and 2006 deferred tax assets and liabilities were attributable to the items detailed in the table below:

	2007	2006	2007	2006	2007	2006
	Assets		Liabilities		Net	
Factoring receivables	588,938	143,633	-	-	588,938	143,633
Investment securities	-	-	3,440,829	3,380,131	(3,440,829)	(3,380,131)
Employee benefits	308,122	51,116	-	-	308,122	51,116
Loans and borrowings	88,207	-	-	66,818	88,207	(66,818)
Derivative financial instruments	-	-	3,021	-	(3,021)	-
Tangible and intangible assets	-	-	70,863	303,567	(70,863)	(303,567)
Others	43,154	-	-	3,175	43,154	(3,175)
	1,028,421	**194,749**	**3,514,713**	**3,753,691**	**(2,486,292)**	**(3,558,942)**

Deferred income 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 the deferred income taxes relate to the same fiscal authority.

The movement of deferred assets and (liabilities) for the years ended 31 December are as follows:

	2007	2006
Balance at 1 January	(3,558,942)	432,450
Deferred tax income / (expense) recognised in the income statement	1,068,653	(611,261)
Deferred tax income / (expense) recognised in equity (Note 19)	3,997	(3,380,131)
Balance at 31 December	**(2,486,292)**	**(3,558,942)**

(Currency: New Turkish Lira ("YTL"))

8 Cash and cash equivalents

As at 31 December, cash and cash equivalents comprised the following:

	2007	2006
Cash at banks		
- demand deposits	2,028,208	4,627,199
- time deposits	35,073,117	29,481,771
Cash on hand	251	17
Total cash and cash equivalents	**37,101,576**	**34,108,987**

As at 31 December 2007, cash and cash equivalents include cash balances on hand, demand deposits and time deposits with original maturity periods of less than one month and over-night time deposits.

As at 31 December 2007, YTL denominated time deposits are overnight and amounting to YTL 32,500,000 (31 December 2006: YTL 20,000,000). As at 31 December 2007, foreign currency time deposits (original amount of USD 996,000, GBP 130,000 and EUR 600,000) has a maturity of 2 January 2008 within interest rates of 4.60% and 5.81% (31 December 2006: EUR 5,000,000 with a maturity of 6 April 2007 and with 5.70% interest rate).

At 31 December 2007, the Company has cash at banks from related parties amounting to YTL 2,897,618 (31 December 2006: YTL 33,680,088).

As at 31 December 2007 and 2006, there is no restriction on cash at banks.

For the purposes of the statement of cash flows, cash and cash equivalents amounts to YTL 37,016,987 for the year ended 31 December 2007 are comprised of cash and due from banks excluding accrued interest (31 December 2006: YTL 33,884,716).

9 Derivative financial instruments

The Company utilises the currency swap instruments. "Currency swaps" are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies. The Company conducts these transactions in order to hedge foreign currency position on balance sheet.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognised on the balance sheet but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Company's exposure to credit or price risks. The swap instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms. The aggregate contractual or notional amount of swap financial instruments on hand, the extent to which instruments are favorable or unfavourable and, thus the aggregate fair values of swap financial assets and liabilities can fluctuate significantly from time to time.

The fair values of swap instruments held at 31 December were as follows:

	2007		2006	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Currency swaps	15,106	-	-	-
	15,106	**-**	**-**	**-**

As at 31 December 2007, all currency swaps mature in three months.

(Currency: New Turkish Lira ("YTL"))

10 Factoring receivables

As at 31 December, factoring receivables comprised the following:

	2007	2006
Domestic factoring receivables	841,346,173	658,557,393
Export factoring receivables	39,377,670	42,994,584
Bad and doubtful receivables	9,945,725	718,165
Factoring receivables, gross	**890,669,568**	**702,270,142**
Allowance for bad and doubtful receivables	(9,945,725)	(718,165)
Factoring receivables	**880,723,843**	**701,551,977**

As at 31 December 2007 and 2006, all factoring receivables mature within one year.

The Company has obtained the following collaterals for its receivables at 31 December:

	2007	2006
Customer notes and cheques obtained as collateral	446,383,088	411,604,521
Receivables transferred	221,343,923	135,717,914
Mortgages	31,739,400	20,710,000
	699,466,411	**568,032,435**

Movements in the allowance for bad and doubtful receivables for the years ended 31 December were as follows:

	2007	2006
Balance at 1 January	718,165	124,172
Provision, net of recoveries	9,227,560	593,993
Allowance for the year	9,336,158	1,536,743
Recoveries of amounts previously provided	(108,598)	(942,750)
Balance at 31 December	**9,945,725**	**718,165**

(Currency: New Turkish Lira ("YTL"))

11 Investment securities

As at 31 December, the Company holds equity securities in the following companies:

	2007		2006	
	Carrying value	**% of ownership**	**Carrying value**	**% of ownership**
Finansbank A.Ş. ("Finansbank")	93,257,632	1.27	93,574,748	1.27
Işık Plastik San. ve Dış Tic. Paz. A.Ş.	17,493,000	48.94	-	-
Fiba Gayrimenkul Gel. İnş. ve Yat. A.Ş.	7,049,702	28.32	7,022,202	28.32
Fiba Sigorta A.Ş.	4,095,161	9.63	4,095,161	9.63
Fiba Alışveriş Mer. Gel. İnş. ve Pz. Tic. A.Ş.	504,426	0.25	485,709	3.35
Girişim Faktoring A.Ş.	105,304	0.50	105,304	0.50
Finans Yatırım Menkul Değ. A.Ş.	98,083	0.20	98,083	0.20
Anchor Grup S.A.	91,768	0.77	91,768	0.77
Credit Europe Leasing IFN S.A.	29,118	2.50	35,140	2.50
Others	5,985	-	8,710	-
Total	**122,730,179**		**105,516,825**	

The investments above are classified as available-for-sale and except for Finansbank, others do not have a quoted market price in an active market and other methods of reasonably estimating their market values would be inappropriate and unworkable, accordingly investment securities acquired before 1 January 2006 are measured at cost restated for the effects of inflation in YTL units current at 31 December 2005 pursuant to IAS 29, less impairment losses. Intangible assets acquired after 1 January 2006 are measured at cost, less impairment losses.

In 2006, the Company sold its 2% shares in Finansbank at an amount of YTL 144,561,300 to National Bank of Greece which has a cost amount of YTL 39,953,356.

Sensitivity analysis – equity price risk

The Company's equity investment in Finansbank is listed in Istanbul Menkul Kıymetler Borsası ("IMKB"). At 31 December 2007, a five percent increase in Finansbank's share at the balance sheet date would have increased equity by YTL 4,429,738 (31 December 2006: YTL 4,484,802), an equal change in the opposite direction would have decreased equity by YTL 4,429,738 (31 December 2006: YTL 4,484,802) after tax. The profit or loss would not be affected by this change. The analysis is performed on the same basis for 2006.

(Currency: New Turkish Lira ("YTL"))

12 Property and equipment

	Buildings	Motor vehicles	Furniture and fixtures	Leasehold improvements	Others[1]	Total
Cost						
Balance at 1 January 2006	2,595,515	233,335	835,255	1,381,737	-	5,045,842
Additions	-	-	111,763	332,943	-	444,706
Disposals	-	(164,361)	-	-	-	(164,361)
Balance at 31 December 2006	**2,595,515**	**68,974**	**947,018**	**1,714,680**	**-**	**5,326,187**
Balance at 1 January 2007	2,595,515	68,974	947,018	1,714,680	-	5,326,187
Additions	-	-	137,896	71,260	1,530,650	1,739,806
Disposals	-	-	-	-	-	-
Balance at 31 December 2007	**2,595,515**	**68,974**	**1,084,914**	**1,785,940**	**1,530,650**	**7,065,993**
Depreciation						
Balance at 1 January 2006	43,519	171,566	648,248	511,002	-	1,374,335
Depreciation for the year	51,910	24,971	89,014	223,143	-	389,038
Disposals	-	(140,577)	-	-	-	(140,577)
Balance at 31 December 2006	**95,429**	**55,960**	**737,262**	**734,145**	**-**	**1,622,796**
Balance at 1 January 2007	95,429	55,960	737,262	734,145	-	1,622,796
Depreciation for the year	51,910	7,167	114,118	271,675	-	444,870
Disposals	-	-	-	-	-	-
Balance at 31 December 2007	**147,339**	**63,127**	**851,380**	**1,005,820**	**-**	**2,067,666**
Carrying amounts						
At 1 January 2006	2,551,996	61,769	187,007	870,735	-	3,671,507
At 31 December 2006	**2,500,086**	**13,014**	**209,756**	**980,535**	**-**	**3,703,391**
At 1 January 2007	2,500,086	13,014	209,756	980,535	-	3,703,391
At 31 December 2007	**2,448,176**	**5,847**	**233,534**	**780,120**	**1,530,650**	**4,998,327**

[1] Others comprised of paintings which are not amortised.

13 Intangible assets

At 31 December 2007 and 2006, intangible assets comprised of computer software. For the year ended 31 December 2007, total amount of amortisation expense of intangible assets amounts to YTL 116,461 (31 December 2006: YTL 27,116).

14 Other assets

As at 31 December, other assets comprised the following:

	2007	2006
Prepaid taxes	681,900	-
Job advances given	88,438	14,241
Others	139,160	509,958
	909,498	**524,199**

(Currency: New Turkish Lira ("YTL"))

15 Factoring payables

As at 31 December, factoring payables comprised the following:

	2007	2006
Domestic factoring payables	406,694,221	272,462,355
Foreign factoring payables	21,308,390	15,170,485
	428,002,611	**287,632,840**

16 Loans and borrowings

As at 31 December, short-term loans and borrowings comprised the following:

	2007	2006
Loans and borrowings in USD	224,141,252	114,110,828
Loans and borrowings in Euro	94,065,804	132,844,213
Loans and borrowings in GBP	1,240,678	4,163,459
Loans and borrowings in YTL	37,199,871	-
Total short-term loans and borrowings	**356,647,605**	**251,118,500**

At 31 December 2007, short-term loans and borrowings mature on various dates between 2 January and 22 December 2008 (31 December 2006: 8 January and 27 December 2007). At 31 December 2007, the interest rates applied to short-term loans and borrowings range between 5.22% and 6.12% (31 December 2006: 4.35% to 6.86%) for Euro, 5.31% to 8.09% (31 December 2006: 5.50% to 8.30%) for USD, 7.05% for GBP and 16.00% to 16.30% for YTL.

In 2007, the Company has obtained a syndication loan amounting USD 75,000,000 with maturity of 1 July 2008 and three-month floating interest.

As at 31 December, long-term loans and borrowings comprised the following:

	2007			2006
	Interest rate (%)	Original amount	Amount in YTL	Amount in YTL
Loans and borrowings in USD	-	-	-	51,834,493
			-	**51,834,493**
Less: Short-term portion of long-term loans and borrowings			-	(1,800,566)
Total long-term loans and borrowings			**-**	**50,033,927**

The redemption schedules of long-term loans and borrowings at 31 December were summarised below:

	2007	2006
2007	-	1,800,566
2008	-	50,033,927
	-	**51,834,493**

(Currency: New Turkish Lira ("YTL"))

17 Employee benefits

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay, maximum of YTL 2,030.19 at 31 December 2007 (31 December 2006: YTL 1,857.43) per year of employment at the rate of pay applicable at the date of retirement or termination. The principal assumption used in the calculation of the total liability is that the maximum liability for each year of service will increase in line with inflation semi-annually.

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

International Accounting Standard No: 19 ("IAS 19") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The reserve has been calculated by estimating the present value of future probable obligation of the Company arising from the retirement of the employees. Accordingly, the following statistical assumptions were used in the calculation of the following liability:

	2007	**2006**
Expected inflation rate	5%	5%
Expected rate of salary/limit increase	11%	11%

As at 31 December, employee benefits comprised the following:

	2007	**2006**
Bonus provision	1,182,719	-
Reserve for employee severance payments	167,656	132,540
Vacation pay liability	190,236	123,039
	1,540,611	**255,579**

For the years ended 31 December, movements in the reserve for employee severance payments were as follows:

	2007	**2006**
Balance at 1 January	132,540	80,478
Paid during the year	(3,705)	(37,161)
Increase during the year	38,821	89,223
Balance at 31 December	**167,656**	**132,540**

For the years ended 31 December, movements in the vacation pay liability were as follows:

	2007	**2006**
Balance at 1 January	123,039	74,565
Increase during the year	67,197	48,474
Balance at 31 December	**190,236**	**123,039**

(Currency: New Turkish Lira ("YTL"))

18 Other liabilities

As at 31 December, other liabilities comprised the following:

	2007	2006
Unearned income on factoring transactions	8,385,223	10,425,670
Withholding taxes and duties payable	689,910	1,102,782
Payables to suppliers	455,633	419,371
Due to personnel	-	682,582
Lease obligations	-	116,607
Others	1,591,539	296,134
	11,122,305	**13,043,146**

19 Equity

For the years ended 31 December, movements in equity were as follows:

	Nominal paid-in capital	Inflation effect on paid-in capital	Fair value reserve	Retained earnings/ (accumulated losses)	Net profit for the year	Total equity
Balances as at 31 December 2005	**14,000,000**	**30,378,194**	**127,348,831**	**(3,303,334)**	**12,148,631**	**180,572,322**
Transfers to retained earnings	-	-	-	12,148,631	(12,148,631)	-
Change in fair value of investments available-for-sale, net	-	-	(63,126,350)	-	-	(63,126,350)
Net profit for the year	-	-	-	-	118,706,178	118,706,178
Balances as at 31 December 2006	**14,000,000**	**30,378,194**	**64,222,481**	**8,845,297**	**118,706,178**	**236,152,150**
Transfers to retained earnings	-	-	-	118,706,178	(118,706,178)	-
Change in fair value of investments available-for-sale, net	-	-	(315,438)	-	-	(315,438)
Dividends paid	-	-	-	(29,000,000)	-	(29,000,000)
Net profit for the year	-	-	-	-	37,317,452	37,317,452
Balances as at 31 December 2007	**14,000,000**	**30,378,194**	**63,907,043**	**98,551,475**	**37,317,452**	**244,154,164**

(Currency: New Turkish Lira ("YTL"))

19 Equity *(continued)*

19.1 Paid-in capital

At 31 December 2007 and 2006, the paid-in capital amounted to YTL 44,378,194 as restated in terms of YTL units current at 31 December 2005 pursuant to IAS 29 in the accompanying financial statements.

At 31 December 2007 and 2006, the nominal paid-in capital of the Company comprises 14.000.000 shares of YTL 1 each.

As at 31 December, the composition of the authorised and paid-in share capital was as follows:

		2007		2006
	Share (%)	**YTL**	**Share (%)**	**YTL**
Fiba Holding A.Ş.	93.54	13,096,436	93.54	13,096,436
Fina Holding A.Ş.	4.95	693,000	4.95	693,000
Others	1.51	210,564	1.51	210,564
	100.00	**14,000,000**	**100.00**	**14,000,000**

19.2 Legal reserves

The legal reserves, which are included in retained earnings, are established by annual appropriations amounting to 5% of income disclosed in the Company's statutory accounts until it reaches 20% of paid-in share capital (first legal reserve). Without limit, a further 10% of dividend distributions in excess of 5% of paid-in capital is to be appropriated to increase legal reserves (second legal reserve). The first legal reserve is restricted and is not available for distribution as dividend unless it exceeds 50% of share capital. In the accompanying financial statements, the total of the legal reserves amounted to YTL 6,119,485 as of 31 December 2007 (31 December 2006: YTL 1,862,435).

19.3 Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised.

For the years ended 31 December, the movements in the fair value reserve are as follows:

	2007	**2006**
Balance at 1 January	64,222,481	127,348,831
Disposals of available-for-sale assets	-	(59,143,534)
Decrease in fair value of assets	(319,435)	(602,685)
Deferred income taxes	3,997	(3,380,131)
Balance at 31 December	**63,907,043**	**64,222,481**

19.4 Dividends

The Company has made YTL 29,000,000 of dividend payment (YTL 2.07 per qualifying ordinary share) in 2007 (31 December 2006: None).

(Currency: New Turkish Lira ("YTL"))

20 Risk management disclosures

Counter party credit risk

The Company is subject to credit risk through its factoring operations. The Risk Management and Analysis Department of the Company is responsible to manage the credit risk. The Company requires a certain amount of collateral in respect of its financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. A special software program has been developed to monitor the credit risk of the Company.

At balance sheet date, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

At 31 December, the detail of the breakdown of the net factoring receivables by industrial groups is as follows:

	2007	**%**	**2006**	**%**
Construction	98,975,817	22	63,741,397	15
Textile industry	57,489,396	13	86,173,370	21
Production	53,550,953	12	27,628,272	7
Financial intermediary	38,391,861	9	28,293,181	7
Telecommunication	28,791,728	7	-	-
Hotels and restaurants	24,185,578	5	7,508,986	2
Metal and metal processing	19,376,653	4	15,284,937	4
Mining industry	13,806,414	3	3,359,546	1
Wood products	13,119,864	3	43,801,089	10
Food and beverages	11,282,833	2	3,044,589	1
Health	9,630,548	2	4,056,453	1
Transportation	9,468,261	2	1,853,750	-
Plastic products	9,137,849	2	2,944,603	1
Other	65,513,477	14	126,228,964	30
	452,721,232	**100**	**413,919,137**	**100**

(Currency: New Turkish Lira ("YTL"))

20 Risk management disclosures *(continued)*

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities.

The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements.

	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	Over 1 year
31 December 2007					
Non-derivative financial liabilities					
Due to related parties	3,060,968	3,060,968	3,060,968	-	-
Loans and borrowings	356,647,605	364,304,446	171,670,128	192,634,318	-
Other liabilities	11,122,305	11,122,305	10,031,633	565,477	525,195
Derivative financial liabilities					
Currency swaps					
- Outflow	-	(14,861,987)	(14,861,987)	-	-
- Inflow	15,106	15,055,164	15,055,164	-	-

	Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	Over 1 year
31 December 2006					
Non-derivative financial liabilities					
Due to related parties	2,493,265	2,493,265	2,493,265	-	-
Loans and borrowings	301,152,427	314,184,576	112,160,901	118,969,366	83,054,309
Current tax liabilities	2,195,740	2,195,740	2,195,740	-	-
Other liabilities	13,043,146	13,043,146	13,043,146	-	-

(Currency: New Turkish Lira ("YTL"))

20 Risk management disclosures *(continued)*

Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows of fair values of financial instruments because of a change in market interest rates. All the financial instruments have fixed interest rates except for the loans which have floating interest rate.

	2007					
Monetary assets	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Total**
New Turkish Lira:						
Cash and cash equivalents	32,990,104	-	-	-	-	32,990,104
Derivative financial instruments	15,106	-	-	-	-	15,106
Due from related parties	118,437	-	-	-	-	118,437
Factoring receivables	112,359,869	175,038,749	204,672,648	240,586,367	11,646,272	744,303,905
Other assets	79,268	88,438	681,901	57,871	-	907,478
Total YTL monetary assets	**145,562,784**	**175,127,187**	**205,354,549**	**240,644,238**	**11,646,272**	**778,335,030**
Foreign currencies:						
Cash and cash equivalents	4,111,472	-	-	-	-	4,111,472
Factoring receivables	27,125,400	30,693,008	28,120,629	46,681,043	3,799,858	136,419,938
Other assets	-	-	-	2,020	-	2,020
Total foreign currency monetary assets	**31,236,872**	**30,693,008**	**28,120,629**	**46,683,063**	**3,799,858**	**140,533,430**
Total monetary assets	**176,799,656**	**205,820,195**	**233,475,178**	**287,327,301**	**15,446,130**	**918,868,460**

	2007					
Monetary liabilities	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Total**
New Turkish Lira:						
Due to related parties	94,332	2,966,636	-	-	-	3,060,968
Factoring payables	54,500,913	84,903,728	99,277,853	116,698,043	5,649,103	361,029,640
Loans and borrowings	37,199,871	-	-	-	-	37,199,871
Deferred tax liabilities	-	-	-	-	2,486,292	2,486,292
Employee benefits	-	1,182,719	-	190,236	167,656	1,540,611
Other liabilities	3,965,320	3,288,891	1,151,940	565,477	525,195	9,496,823
Total YTL monetary liabilities	**95,760,436**	**92,341,974**	**100,429,793**	**117,453,756**	**8,828,246**	**414,814,205**
Foreign currencies:						
Factoring payables	13,316,738	15,068,192	13,805,329	22,917,238	1,865,474	66,972,971
Loans and borrowings	58,783,619	71,917,310	21,307,525	167,439,280	-	319,447,734
Other liabilities	501,442	1,124,040	-	-	-	1,625,482
Total foreign currency monetary liabilities	**72,601,799**	**88,109,542**	**35,112,854**	**190,356,518**	**1,865,474**	**388,046,187**
Total monetary liabilities	**168,362,235**	**180,451,516**	**135,542,647**	**307,810,274**	**10,693,720**	**802,860,392**

(Currency: New Turkish Lira ("YTL"))

20 Risk management disclosures *(continued)*

Interest rate risk *(continued)*

	2006					
Monetary assets	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**Total**
New Turkish Lira:						
Cash and cash equivalents	1,686,919	20,029,137	-	-	-	21,716,056
Due from related parties	-	585,000	-	-	-	585,000
Factoring receivables	216,022,393	326,688,444	73,448,746	-	-	616,159,583
Other assets	163,233	-	-	-	-	163,233
Total YTL monetary assets	**217,872,545**	**347,302,581**	**73,448,746**	**-**	**-**	**638,623,872**
Foreign currencies:						
Cash and cash equivalents	2,940,297	9,452,634	-	-	-	12,392,931
Factoring receivables	29,938,136	45,275,135	10,179,123	-	-	85,392,394
Other assets	-	217,314	143,652	-	-	360,966
Total foreign currency monetary assets	**32,878,433**	**54,945,083**	**10,322,775**	**-**	**-**	**98,146,291**
Total monetary assets	**250,750,978**	**402,247,664**	**83,771,521**	**-**	**-**	**736,770,163**

	2006					
Monetary liabilities	**Up to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 Months**	**Over 1 year**	**Total**
New Turkish Lira:						
Due to related parties	-	-	2,493,265	-	-	2,493,265
Factoring payables	91,724,666	138,714,269	31,186,868	-	-	261,625,803
Current tax liabilities	-	-	2,195,740	-	-	2,195,740
Deferred tax liabilities	-	-	-	-	3,558,942	3,558,942
Employee benefits	-	-	-	123,039	132,540	255,579
Other liabilities	5,447,096	6,064,760	1,242,783	-	-	12,754,639
Total YTL monetary liabilities	**97,171,762**	**144,779,029**	**37,118,656**	**123,039**	**3,691,482**	**282,883,968**
Foreign currencies:						
Factoring payables	9,117,934	13,788,958	3,100,145	-	-	26,007,037
Loans and borrowings	11,106,728	46,744,363	49,723,174	143,544,235	50,033,927	301,152,427
Other liabilities	288,507	-	-	-	-	288,507
Total foreign currency monetary liabilities	**20,513,169**	**60,533,321**	**52,823,319**	**143,544,235**	**50,033,927**	**327,447,971**
Total monetary liabilities	**117,684,931**	**205,312,350**	**89,941,975**	**143,667,274**	**53,725,409**	**610,331,939**

(Currency: New Turkish Lira ("YTL"))

20 Risk management disclosures *(continued)*

Interest rate risk *(continued)*

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or reprice at different times or in differing amounts. In the case of floating rate assets and liabilities, the Company is also exposed to basis risk which is the difference in repricing characteristics of the various floating rate indices, such as year end libor and different types of interest. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Company's business strategies.

The tables below summarise average effective interest rates by major currencies for monetary financial instruments at 31 December:

	2007				2006		
%	**USD**	**EUR**	**GBP**	**YTL**	**USD**	**EUR**	**YTL**
Assets							
Factoring receivables	6.41	6.21	6.01	23.53	6.28	6.59	24.14
Liabilities							
Loans and borrowings	6.17	5.61	7.05	16.05	6.90	5.38	19.35

At 31 December, the interest rate profile of the Company's interest-bearing financial instruments was:

	Carrying amount	
	2007	**2006**
Fixed rate instruments		
Financial assets	489,956,351	448,613,124
Financial liabilities	239,923,758	51,701,002
Variable rate instruments		
Financial liabilities	119,784,815	251,944,690

Financial assets comprised of cash and cash equivalents, derivative financial instruments, due from related parties and factoring receivables netted-off with factoring payables.

Financial liabilities comprised of due to related parties and loans and borrowings.

(Currency: New Turkish Lira ("YTL"))

20 Risk management disclosures *(continued)*

Interest rate risk *(continued)*

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate swaps (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Additionally, the Company does not account for any fixed rate financial assets and liabilities as available-for-sale. Therefore a change in interest rates at the reporting date would not directly affect equity.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) equity and profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 31 December 2006.

	Profit or loss		**Equity**	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
31 December 2007				
Variable rate instruments	(1,197,848)	1,197,848	(1,197,848)	1,197,848
31 December 2006				
Variable rate instruments	(2,519,447)	2,519,447	(2,519,447)	2,519,447

(Currency: New Turkish Lira ("YTL"))

20 Risk management disclosures *(continued)*

Foreign currency risk

The Company is exposed to currency risk through transactions (such as factoring operations and borrowings) in foreign currencies. As the currency in which the Company presents its financial statements is YTL, the financial statements are affected by movements in the exchange rates against YTL.

As at 31 December, the currency risk exposures of the Company were as follows (YTL equivalents):

	2007			
	USD	**Euro**	**Other currencies**	**YTL Total**
Cash and cash equivalents	1,280,694	2,274,262	556,516	4,111,472
Factoring receivables	75,224,644	50,458,861	10,736,433	136,419,938
Other assets	1,165	855	-	2,020
Factoring payables	(42,136,619)	(18,867,858)	(5,968,494)	(66,972,971)
Loans and borrowings	(224,141,252)	(94,065,804)	(1,240,678)	(319,447,734)
Other liabilities	(1,527,606)	(66,028)	(31,848)	(1,625,482)
Gross balance sheet exposure	**(191,298,974)**	**(60,265,712)**	**4,051,929**	**(247,512,757)**
Currency swaps	(11,647,000)	3,280,164	(3,214,987)	(11,581,823)
Net exposure	**(202,945,974)**	**(56,985,548)**	**836,942**	**(259,094,580)**

	2006			
	USD	**Euro**	**Other currencies**	**YTL Total**
Cash and cash equivalents	744,976	11,357,518	290,437	12,392,931
Factoring receivables	42,881,585	28,659,148	13,851,661	85,392,394
Other assets	229,226	131,740	-	360,966
Factoring payables	(6,118,126)	(12,147,587)	(7,741,324)	(26,007,037)
Loans and borrowings	(132,844,213)	(164,144,755)	(4,163,459)	(301,152,427)
Other liabilities	(116,607)	(171,900)	-	(288,507)
Gross balance sheet exposure	**(95,223,159)**	**(136,315,836)**	**2,237,315**	**(229,301,680)**
Currency swaps	-	-	-	-
Net exposure	**(95,223,159)**	**(136,315,836)**	**2,237,315**	**(229,301,680)**

(Currency: New Turkish Lira ("YTL"))

20 Risk management disclosures *(continued)*

The following significant exchange rates applied during the years ended 31 December:

	Average rate		Reporting date	
YTL	**2007**	**2006**	**2007**	**2006**
USD	1.2930	1.4313	1.1647	1.4056
Euro	1.7768	1.7974	1.7102	1.8515

Sensitivity analysis

A 10 percent weakening of YTL against the foreign currencies at 31 December 2007 and 2006 would have decreased (increased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2006.

31 December 2007	**Equity**	**Profit or loss**
USD	(20,294,597)	(20,367,948)
Euro	(5,698,555)	(5,698,555)
Other currencies	83,694	44,641
	(25,909,458)	**(26,021,862)**

31 December 2006	**Equity**	**Profit or loss**
USD	(14,525,709)	(14,525,709)
Euro	(8,628,191)	(8,628,191)
Other currencies	223,732	223,732
	(22,930,168)	**(22,930,168)**

A 10 percent strengthening of the YTL against the foreign currencies at 31 December 2007 and 2006 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

(Currency: New Turkish Lira ("YTL"))

21 Commitments and contingencies

Commitments and contingent liabilities arising in the ordinary course of business comprised the following items as at 31 December:

	2007	2006
Given to government organisations	1,559,630	1,694,775
	1,559,630	**1,694,775**

As at 31 December, commitments for purchase and sale of currencies under swap contracts were as follows:

		2007		2006	
		Original currency	**YTL**	**Original currency**	**YTL**
Currency swaps	YTL	12,113,000	11,775,000	-	-
	EUR	1,918,000	3,280,164	-	-
Total purchases			**15,055,164**	**-**	**-**

		2007		2006	
		Original currency	**YTL**	**Original currency**	**YTL**
Currency swaps	USD	10,000,000	11,647,000	-	-
	GBP	1,382,255	3,214,987	-	-
Total sales			**14,861,987**	**-**	**-**

As at 31 December 2007, swap exchange contracts mature in three months.

Commitments and contingent liabilities arising in the operating lease commitment as at 31 December comprised the following:

	2007	2006
Operating lease commitment – rent commitments		
Within one year	198,158	180,243
After one year not more than five years	582,427	780,585
	780,585	**960,828**

(Currency: New Turkish Lira ("YTL"))

22 Related party disclosures

For the purpose of accompanying financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and investments are considered and referred to as the related parties. A number of transactions are entered into with the related parties in the normal course of business. These transactions were carried out on an arms-length basis during the normal course of business.

As at 31 December, the Company had the following balances outstanding from its related parties:

	2007	**2006**
Cash and cash equivalents	1,567,829	33,680,088
Derivative financial instruments	15,106	-
Due from related parties	118,437	585,000
Due to related parties	3,060,968	2,493,265
Loans and borrowings	11,855,328	78,310,515

For the years ended 31 December, the Company earned income and was charged for expenses in relation to their transactions with its related parties as summarised below:

	2007	**2006**
Interest income on factoring receivables	-	443,801
Interest income on cash and cash equivalents	872,374	261,339
Dividend income	180,000	8,822,742
Other operating income	341,927	-
Interest expense on loans and borrowings	5,587,993	4,909,742
Administrative expenses	137,202	1,456,988
Other expenses	38,237,896	1,600,000

Total benefit of key management for the years ended 31 December 2007 and 2006, amounted to YTL 679,000 and YTL 405,011, respectively.