**LİDER FAKTORİNG HİZMETLERİ A.Ş.**

**INTERIM FINANCIAL STATEMENTS**
**TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**
**AT 30 JUNE 2012**

pwc

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Lider Faktoring A.Ş.

1. We have audited the accompanying interim financial statements of Lider Faktoring A.Ş. ("the Company") which comprise the interim balance sheet as at 30 June 2012, statement of comprehensive income, statement of changes in equity and cash flow statement for the six-month period then ended and a summary of significant accounting policies and other explanatory notes.

*Management's responsibility for the financial statements*

2. Management is responsible for the preparation and fair presentation of these interim financial statements in accordance with International Accounting Standard 34 "Interim financial reporting" 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*

3. Our responsibility is to express an opinion on these interim 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 controls. 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.

*Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. a member of PricewaterhouseCoopers*
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*Opinion*

4. In our opinion, the accompanying interim financial statements present fairly, in all material respects, the financial position of Lider Faktoring A.Ş. as at 30 June 2012 and of its financial performance and its cash flows for the six-month period then ended in accordance with International Accounting Standard 34 "Interim financial reporting".

*Other Matter*

5. The financial statements of the Company for the interim period ended as at 30 June 2011 and for the year ended 31 December 2011 were audited by another firm of auditors whose reports, dated 8 August 2011 and 20 February 2012 respectively, expressed an unmodified opinion on those statements.

Başaran Nas Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.
a member of
PricewaterhouseCoopers

Haluk Yalçın, SMMM
Partner

Istanbul, 22 August 2012

# LİDER FAKTORİNG HİZMETLERİ A.Ş.

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## INTERIM BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AT 30 JUNE 2012

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicate

| | Notes | 30 June 2012 | 31 December 2011 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and due from banks | 5 | 5,979,801 | 17,649,244 |
| Factoring receivables | 6 | 511,350,462 | 466,061,322 |
| Property and equipment, net | 8 | 15,897,526 | 15,942,810 |
| Intangible assets, net | 9 | 168,825 | 150,074 |
| Other assets and prepaid expenses | 7 | 1,153,036 | 1,018,027 |
| Deferred tax assets | 14 | 1,258,436 | - |
| **Total assets** | | **535,808,086** | **500,821,477** |
| **LIABILITIES AND EQUITY** | | | |
| Borrowings | 10 | 338,647,475 | 379,162,090 |
| Bonds issued | 11 | 119,849,183 | 47,736,603 |
| Factoring payables | 6 | 416,042 | 422,150 |
| Current tax liabilities | 14 | 483,207 | 872,003 |
| Employment benefit obligations | 13 | 1,509,885 | 1,450,091 |
| Other liabilities | 12 | 1,489,059 | 2,006,501 |
| Deferred tax liabilities | 14 | - | 137,309 |
| **Total liabilities** | | **462,394,851** | **431,786,747** |
| **EQUITY** | | | |
| Share capital | 15 | 30,000,000 | 30,000,000 |
| Adjustment to share capital | 15 | 5,873,808 | 5,873,808 |
| Asset revaluation reserve | 16 | 11,297,830 | 9,824,200 |
| Legal reserves | 16 | 4,154,587 | 3,558,812 |
| Retained earnings | | 22,087,010 | 19,777,910 |
| **Total Equity** | | **73,413,235** | **69,034,730** |
| **Total liabilities and equity** | | **535,808,086** | **500,821,477** |

These financial statements as at and for the period ended 30 June 2012 has been approved for issue by the Board of Directors on 22 August 2012 General Assembly has the ability to amend the financial statements.

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

## INTERIM STATEMENT OF COMPREHENSIVE INCOME
## FOR THE SIX-MONTH PERIOD ENDED AT 30 JUNE 2012

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

| | Notes | 1 January - 30 June 2012 | Restated (*) 1 January - 30 June 2011 |
|---|---|---|---|
| Factoring interest income | | 43,931,697 | 18,872,736 |
| Interest income on placements and transactions with banks | | 324,454 | 35,970 |
| **Total interest income** | | **44,256,151** | **18,908,706** |
| Interest expense on bank borrowings | | (25,837,072) | (12,897,448) |
| Interest expense on debt securities | | (7,405,099) | (2,629,791) |
| **Total interest expense** | | **(33,242,171)** | **(15,527,239)** |
| **Net interest income** | | **11,013,980** | **3,381,467** |
| Fee and commission income | 19 | 12,233,813 | 11,059,338 |
| Fee and commission expense | 19 | (237,005) | (296,831) |
| **Net fee and commission income** | | **11,996,808** | **10,762,507** |
| Foreign exchange gains and losses, including net gain or losses from dealing in foreign currency | | 186,693 | (60,267) |
| Impairment loss on factoring receivables | 6 | (7,434,076) | (1,013,608) |
| Other operating income | 17 | 2,390,529 | 1,225,508 |
| **Net operating income** | | **18,153,934** | **14,295,607** |
| Operating expenses | 18 | (14,079,807) | (9,770,581) |
| **Profit before income taxes** | | **4,074,127** | **4,525,026** |
| Taxation on income | 14 | (1,169,252) | (906,715) |
| **Net profit for the period** | | **2,904,875** | **3,618,311** |
| **Other comprehensive income:** | | | |
| Other comprehensive income | 14 | 1,473,630 | - |
| **Total comprehensive income** | | **4,378,505** | **3,618,311** |
| **Earnings per share from net profit attributable to the equity holders of the company** | | **0.097** | **0.121** |

(*) Please refer to the Note 2.2

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

# LİDER FAKTORİNG HİZMETLERİ A.Ş.

## INTERIM STATEMENT OF CHANGES IN EQUITY
## FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

| | Notes | Share capital | Adjustment to share capital | Assets revaluation reserve | Legal reserves | Retained earnings | Total Equity |
|---|---|---|---|---|---|---|---|
| **Balance at 1 January 2011** | | **30,000,000** | **5,873,808** | **6,466,575** | **3,222,159** | **10,664,915** | **56,227,457** |
| Transfers | | - | - | - | 336,653 | (336,653) | - |
| Total comprehensive income for the year **(*)** | | - | - | - | - | 3,618,311 | 3,618,311 |
| **Balance at 30 June 2011** | | **30,000,000** | **5,873,808** | **6,466,575** | **3,558,812** | **13,946,573** | **59,845,768** |
| **Balance at 1 January 2012** | | **30,000,000** | **5,873,808** | **9,824,200** | **3,558,812** | **19,777,910** | **69,034,730** |
| Transfers | 16 | - | - | - | 595,775 | (595,775) | - |
| Total comprehensive income for the year | 16 | - | - | 1,473,630 | - | 2,904,875 | 4,378,505 |
| **Balance at 30 June 2012** | | **30,000,000** | **5,873,808** | **11,297,830** | **4,154,587** | **22,087,010** | **73,413,235** |

(*) Please refer to the note 2

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

## INTERIM STATEMENT OF CASH FLOWS
## FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2012

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

| | Notes | 1 January-<br>30 June 2012 | 1 January-<br>30 June 2011 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Net profit for the year | | **2,904,875** | **3,618,311** |
| **Adjustments for:** | | | |
| Depreciation and amortisation | 8, 9 | 177,469 | 280,400 |
| Provision for employment termination benefits | 13 | 71,023 | 144,329 |
| Provision for unused vacation | 13 | 71,833 | 43,899 |
| Net interest income | | (11,013,980) | (3,381,467) |
| Provision for impaired factoring receivables | 6 | 7,434,076 | 1,013,608 |
| Deferred tax expense/(income) | 14 | 77,885 | (110,005) |
| Provision for taxes | 14 | 1,091,367 | 1,160,800 |
| **Cash flows from operating profit before changes in operating assets and liabilities** | | **814,548** | **2,769,875** |
| **Changes in operating asset and liabilities:** | | | |
| Interest received | | 44,281,094 | 18,908,706 |
| Interest paid | | (28,394,285) | (13,318,436) |
| Change in factoring receivables | | (52,991,020) | 1,850,357 |
| Change in factoring payables | 6 | (6,108) | 249,512 |
| Change in other assets | 7 | (135,009) | (27,739) |
| Change in other liabilities | | (662,880) | (130,934) |
| Income taxes paid | 14 | (1,480,163) | (1,028,800) |
| **Net cash (used in) / provided from operating activities** | | **(38,573,823)** | **9,272,541** |
| **Cash flows used in from investing activities** | | | |
| Purchase of property and equipment | 8 | (101,480) | (163,133) |
| Purchase of intangible assets | 9 | (49,456) | (30,135) |
| Proceeds from disposal of equipment | | 62,376 | 2,598 |
| **Net cash used in investing activities** | | **(88,560)** | **(190,670)** |
| **Cash flows from financing activities** | | | |
| Proceeds from loans and borrowings | | 896,454,726 | 247,137,390 |
| Repayment of loans and borrowings | | (936,969,341) | (256,234,613) |
| Proceeds from debt securities | | 120,741,904 | - |
| Repayments of debt securities | | (53,234,349) | - |
| **Net cash provided from / (used in) financing activities** | | **26,992,940** | **(9,097,223)** |
| Net decrease in cash and cash equivalents | 5 | (11,669,443) | (15,352) |
| Cash and cash equivalents at beginning of the period | 5 | 17,649,244 | 409,438 |
| **Cash and cash equivalents at end of the period** | **5** | **5,979,801** | **394,086** |

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

## NOTE 1 - ORGANISATION AND PRINCIPAL ACTIVITIES

Şetat Faktoring A.Ş. was incorporated on 20 September 1992 in Turkey to provide factoring services to industrial and commercial firms. The name of Şetat Faktoring A.Ş. was changed to Lider Faktoring Hizmetleri A.Ş. (the "Company") and the change was announced on the Trade Registry Gazzette dated 12 June 2002 and numbered 5568.

The Company's head office is located at Büyükdere Caddesi 100 Maya Akar Center K: 25 Esentepe - Istanbul. The Company has 187 employees as at 30 June 2012 (31 December 2011: 183). The Company's principal activity is to provide factoring services substantially in Turkey.

These interim financial statements as at and for the period ended 30 June 2012 has been approved for issue by the Board of Directors on 22 August 2012 General Assembly has the ability to amend the financial statements.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adapted in the preparation of these interim financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of presentation of interim financial statements

These interim financial statements of the Company have been prepared in accordance with IAS 34, 'Interim financial reporting'. These interim financial statements should be read in conjunction with the annual financial statements for the year ended 31 December 2011, which have been prepared in accordance with IFRSs. The interim financial statements are based on the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and financial liabilities held for trading and all derivative contracts.

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

In preparing this interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the financial statements for the year ended 31 December 2011, with the exception of changes in estimates that are required in determining the provision for income taxes.

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### 2.2 Restatement of the recognition of the factoring commission income

Starting from the annual financial statements of 31 December 2011, the Company had recognised factoring commission income on accrual basis, retrospectively. Before this prior period including the interim financial statements as at 30 June 2011, factoring commission income was being recognized as the factoring transaction begins, in advance of the accrual of the factoring income. Therefore the comprehensive income statements of the prior interim period ended at 30 June 2011 were restated in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors". At 30 June 2011, the effect of these corrections on the total equity, net income for the period is as follows:

| | Net profit for period |
|---|---|
| **30 June 2011 (previously reported)** | **4,194,633** |
| Fee and commission income from factoring receivables: | |
| Effect on commission income | (720,402) |
| Effect on deferred tax expense | 144,080 |
| **30 June 2011 (restated)** | **3,618,311** |

| | Total equity |
|---|---|
| **30 June 2011 (previously reported)** | **62,654,673** |
| **1 January 2011 effect of restatement (previously reported)** | **(2,232,583)** |
| Net effect of the restatement to the net profit of the period | (576,322) |
| **30 June 2011 (restated)** | **59,845,768** |

**Comparatives**

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current period so that the reclassification will result in a more appropriate presentation of events or transactions. Interim financial statements of the Company have been prepared comparatively with the prior period in order to give information about financial position and performance. If the presentation or classification of the financial statements is changed, in order to maintain consistency, financial statements of the prior periods is also reclassified in line with the related changes.

### 2.3 Changes in standards and interpretations

***Amendments to published standards and interpretations effective 30 June 2012***

- IAS 24 (revised) (amendment), "Related party disclosures", is effective for annual periods beginning on or after 1 January 2011. The revised standard removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. It also clarifies and simplifies the definition of a related party. Earlier adoption is permitted either for the entire standard or for the reduced disclosures for government-related entities.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- IFRIC 14 (amendment), "IAS 19 - The limit on a defined benefit asset, minimum funding requirements and their interaction", is effective for annual periods beginning on or after 1 January 2011. The amendment removes unintended consequences arising from the treatment of pre-payments where there is a minimum funding requirement. The amendment also results in pre-payments of contributions in certain circumstances being recognised as an asset rather than an expense. It will apply from the beginning of the earliest comparative period presented. Earlier adoption is permitted.
- Annual Improvements to IFRSs 2010 (effective 1 January 2011) amendments effect six standards and one IFRIC: IFRS 1, IFRS 3, IFRS 7, IAS 27, IAS 34, IAS 1 and IFRIC 13.
- IFRS 7 (amendment), "Financial instruments: Disclosures on transfers of assets", is effective for annual periods beginning on or after 1 July 2011. This amendment will promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. Comparative information is not needed in the first year of adoption. Earlier adoption is permitted.
- IFRS 1 (amendment), "First-time adoption of IFRS", is effective for annual periods beginning on or after 1 July 2011. These amendments include two changes to IFRS 1. The first replaces references to a fixed date of 1 January 2004 with 'the date of transition to IFRSs', thus eliminating the need for entities adopting IFRSs for the first time to restate de-recognition transactions that occurred before the date of transition to IFRSs. The second amendment provides guidance on how an entity should resume presenting financial statements in accordance with IFRSs after a period when the entity was unable to comply with IFRSs because its functional currency was subject to severe hyperinflation. Earlier adoption is permitted.

***New IFRS standards, amendments and IFRICs effective after 1 July 2012***

- IAS 12 (amendment), "Income taxes" on deferred tax, is effective for annual periods beginning on or after 1 January 2012. This amendment introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, "Income taxes - recovery of revalued non-depreciable assets", will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. Early adoption is permitted.
- IAS 19 (amendment), "Employee benefits", is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. Early adoption is permitted.
- IAS 1 (amendment), "Presentation of financial statements", regarding other comprehensive income is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. Early adoption is permitted.
- IFRS 9, "Financial instruments: Classification and Measurement", is effective for annual periods beginning on or after 1 January 2015. The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- IFRS 10, "Consolidated financial statements", is effective for annual periods beginning on or after 1 January 2013. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.
- IFRS 11, "Joint arrangements", is effective for annual periods beginning on or after 1 January 2013. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and hence equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.
- IFRS 12, "Disclosures of interests in other entities", is effective for annual periods beginning on or after 1 January 2013. The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.
- IFRS 13, "Fair value measurement", is effective for annual periods beginning on or after 1 January 2013. The standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.
- IAS 27 (revised), "Separate financial statements", is effective for annual periods beginning on or after 1 January 2013. The standard includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.
- IAS 28 (revised), "Associates and joint ventures", is effective for annual periods beginning on or after 1 January 2013. The standard includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.
- IFRS 7 (amendment), "'Financial instruments: Disclosures', on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2013. This amendment reflects the joint IASB and FASB requirements to enhance current offsetting disclosures. These new disclosures are intended to facilitate comparison between those entities that prepare IFRS financial statements and those that prepare US GAAP financial statements.
- IAS 32 (amendment), "'Financial instruments: Presentation', on offsetting financial assets and financial liabilities", is effective for annual periods beginning on or after 1 January 2014. This amendment updates the application guidance in IAS 32, 'Financial instruments: Presentation', to clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.
- IFRS 1 (amendment), "'First time adoption', on government loans", is effective for annual periods beginning on or after 1 January 2013. This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.
- Annual Improvements to IFRSs 2011 is effective for annual periods beginning on or after 1 January 2013. Amendments affect five standards: IFRS 1, IAS 1, IAS 16, IAS 32 and IAS 34.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***Early adoption of standards***

The Company did not early-adopt new or amended standards at 30 June 2012.

## 2.4 Significant accounting policies

### Cash and cash equivalents

For the purposes of statement of cash flows, cash and cash equivalents comprise cash and due from banks with less than 90 days original maturity.

### Related parties

For the purpose of these interim financial statements, the shareholders, key management personnel and Board of Directors members are considered and referred to as related parties (Note 20).

### Sale and repurchase agreements

Securities purchased under agreements to resell ("reverse repos") are recorded under due from banks.

### Factoring receivables

Factoring receivables originated by the Company by providing money directly to the borrowers are considered as factoring receivables and are carried at amortised cost. All factoring receivables are recognised when cash is advanced to borrowers against their domestic and foreign receivables.

### Allowance for impairment of factoring receivables

A credit risk provision for impairment of the factoring receivables and accounts receivables are established if there is objective evidence that the Company will not be able to collect all amounts due as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the receivables. The amount of the provision for impaired receivables is the difference between the carrying amount and recoverable amount, being the present value of expected cash flows, including the amount recoverable from guarantees and collateral, discounted based on the interest rate at inception.

The provision also covers losses where there is objective evidence that probable losses are present in components of the portfolio at the balance sheet date. These have been estimated based upon historical loss experience which is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not currently exist. The provision made during the year is charged against the income for the period.

Factoring receivables and accounts receivables that cannot be recovered are written off and charged against the provision for impaired receivables. Such receivables are written off after all the necessary legal procedures have been completed and the amount of the loss is finally determined. Recoveries of amounts previously provided for are treated as a reduction of the charge for provision for impairment of factoring and accounts receivables for the period (Note 6).

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Foreign currency transactions**

Transactions denominated in foreign currency are recorded in TL at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currency are recognised in the interim income statement.

**Accounting for leases (where the Company is a lessor)**

When assets are sold under a finance lease, the present value of the lease payments is recognized as a receivable. All costs that are directly attributable to the investment in direct finance lease are capitalized at initial recognition as part of the investment in direct finance lease and amortized via effective interest rate method. The difference between the gross receivable and the present value of the receivable is recognized as unearned finance income. Lease income is recognized over the term of the lease using the net investment method, which reflects a constant periodic rate of return. The profit recognized on sale of leased assets is recorded as gain on liquidation of investments. Future gross lease rentals receivable, net of unearned future lease income, are classified as the net finance lease receivables.

To date, the Company has not entered into operating leases over Company assets.

**Property and equipment**

The Company's presented the buildings at the fair value based on valuation report of TSKB Gayrimenkul Değerleme A.Ş. Accumulated depreciation concerning the buildings is restated proportionate to the change in the gross carrying amount of the asset such that the net book value of the asset after revaluation equals its revaluated amount.

If a revaluation results in an increase in value, it should be credited to other comprehensive income and accumulated in equity under the heading "revaluation funds" unless it represents the reversal of a revaluation decrease of the same asset previously recognised as an expense, in which case it should be recognised as income.

All property and equipment is carried at cost less accumulated depreciation. Depreciation is calculated over the restated amounts of property and equipment by using the straight-line method to write down the restated cost of each asset to their residual values over their estimated useful life as follows:

| | |
|---|---|
| Buildings | 50 years |
| Furniture and fixtures | 4 - 5 years |
| Office equipment and motor vehicles | 5 years |
| Leasehold improvements | Shorter of lease period or useful lives |

Where the carrying amount of an asset is greater than its estimated recoverable amount ("higher of net selling price" and "value in use"), it is written down immediately to its recoverable amount. The recoverable amount of the impaired property and equipment represents the net selling price.

Expenses for the repair of property and equipment are normally charged against income. They are, however, capitalized in exceptional cases if they result in an enlargement or substantial improvement of the respective assets.

**NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit.

**Intangible assets**

Intangible assets mainly comprise rights and are carried at cost less accumulated amortization. Expenditure to acquire software licenses is capitalized and amortized by using the straight-line method over their useful lives of 5 years.

**Contingent liabilities and assets**

Contingent liabilities that do not have a high possibility of outflow of resources are not recognised in financial statements but are disclosed in notes. Contingent assets which have a high possibility of economic return are not recognised in financial statements but are disclosed in notes.

**Financial liabilities**

Financial liabilities including borrowings are recognised initially at fair value, net off transaction costs incurred. Subsequently, financial liabilities are stated at amortised cost and any difference between net proceeds and the redemption value is recognised in the interim income statement over the period of the financial liability using the effective yield method.

**Bonds Issued**

Bonds issued are initially recognised at fair value less transaction costs incurred. Bonds issued are subsequently measured at amortised cost and any difference between net proceeds net of transaction costs and the redemption value is recognised in the income statement over the period of the bond using the effective yield method (Note 11).

**Revenue recognition**

Factoring services income is interest income on advances to customers. Commission income is a percentage of the value of invoices subject to factoring. Factoring services income, other income and expenses are recognised on the accrual basis.

**Interest income and expense**

Interest income is accrued on 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. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

**Fee and commission income and expenses**

Fees and commissions are recognized in the income statement on an accrual basis over the life of the transaction to which they refer or on a cash basis at the time the service is received/ the transaction is performed, whichever is more appropriate. Fees and commission income including commitment fees are recognized as the related services are performed.

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Corporate tax

Corporate tax is calculated according to the Tax Procedural Law, and tax expenses except corporate tax are recognised under operating expenses.

Current tax assets and liabilities are offset when a legal right exists for it or the assets and liabilities related to income taxes levied by the same taxation authority are offset accordingly.

### Offsetting

Financial assets and liabilities are offset and the net amount is reported in the consolidated interim 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.

### Deferred income taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the interim financial statements. The rates enacted, or substantively enacted, at the balance sheet date are used to determine deferred income tax.

The principal temporary differences arise from the provision for impaired factoring receivables, deferred commission income, employment benefit obligations and the differences between carrying amounts and tax bases of plant, property and equipment, barrowing amounts and issued debt securities (Note 14).

Deferred tax liabilities and assets are recognised when it is probable that the future economic benefit resulting from the reversal of temporary differences will flow to or from the Company. Deferred tax assets resulting from temporary differences in the recognition of expense for income tax, and for financial reporting purposes 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.

### Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### Reserve for employment termination benefits

Employment termination benefits, as required by the Turkish Labour Law, are recognised in these interim financial statements as they are earned. The total provision represents the present value of the future probable obligation of the Company arising from the retirement of the employees (Note 13).

## NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Notice pay liability

In accordance with the social security legislation in Turkey, the Company is required to give notice of between two and eight weeks to employees for termination of employment or to make payments for the notice period calculated on the basis of the current salary of the employee.

No provision for notice pay has been made in the interim financial statements, as the management do not expect the Company to make any significant terminations in the foreseeable future.

### Reporting of cash flows

For the purposes of statement of cash flows, cash and cash equivalents include cash and due from banks with original maturity periods of less than three months (Note 5).

### Earnings per share

Earnings per share disclosed in the income statements are determined by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares in issue during the period concerned.

### Subsequent events

Certain subsequent events that require an adjustment are provided with additional information regarding the position of Company as of the balance sheet date are recognised in the financial statements. Events that do not require an adjustment are presented at the notes to these interim financial statements, if they meet a certain level of importance (Note 22).

## NOTE 3 - FINANCIAL RISK MANAGEMENT

### Capital management

According to 23$^{rd}$ Article of "Regulation on the Establishment and Operations of Factoring, Leasing, and Consumer Finance Companies" which was published in the Official Gazette dated 10 October 2006, total volume of factoring receivables granted by factoring companies cannot exceed thirty times of the statutory equity. As of 30 June 2012, total volume of factoring receivables granted by the Company does not exceed thirty times of statutory equity.

### Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Company's financial performance.

### Credit risk

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

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

## NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

As of 30 June 2012 and 31 December 2011, the Company's all assets and liabilities consists of receivables in Turkey except the borrowings from Credit Suisse amounting to TL240,012,735 (31 December 2011: TL131,018,805).

**Maximum exposure to credit risk**

The maximum exposure to credit risk at the reporting date is the carrying value of the Company's assets classified under due from banks, factoring receivables and other assets.

**Market risk**

The Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

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

**Currency risk**

The Company undertakes certain transactions denominated in foreign currency. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed through asset-liability balancing transactions.

Exchange rates are as follows:

| | **30 June 2012** | **31 December 2011** |
|---|---|---|
| US$ | 1.8065 | 1.8889 |
| JPY (100) | 2.2678 | 2.4340 |
| EUR | 2.2742 | 2.4438 |

*Foreign currency sensitivity*

The Company is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the JPY from borrowings as of 30 June 2012.

The table below shows the Company's sensitivity against 10% change in US$, JPY and EUR rates against TL in the interim income statement. In this analysis it has been assumed that all other variables, especially interest rates, are being held constant.

| | **Profit/Loss 30 June 2012** | **Profit/Loss 31 December 2011** |
|---|---|---|
| US$ | - | 47,467 |
| EUR | - | 7,028 |
| JPY | 43,433 | 114,004 |

**Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

## NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

The following tables detail the Company's remaining contractual maturity for the Company's assets and non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Company can be required to pay. The table includes both interest and principal cash flows.

| **30 June 2012** | **Book value** | **1 -3 months** | **3 - 12 months** | **1 year or more** | **No Maturity** | **Total Contractual Cash Outflows** |
|---|---|---|---|---|---|---|
| Borrowings | 338,647,475 | 42,618,132 | 26,957,446 | 334,610,982 | - | 404,186,560 |
| Bonds issued | 119,849,183 | 3,941,148 | 31,241,256 | 112,568,836 | - | 147,751,240 |
| **Total liabilities** | **458,496,658** | **46,559,280** | **58,198,702** | **447,179,818** | **-** | **551,937,800** |

| **31 December 2011** | **Book value** | **1 -3 months** | **3 - 12 months** | **1 year or more** | **No Maturity** | **Total Contractual Cash Outflows** |
|---|---|---|---|---|---|---|
| Borrowings | 379,162,090 | 211,553,732 | 35,839,357 | 175,418,753 | - | 422,811,842 |
| Bonds issued | 47,736,603 | - | 53,234,347 | - | - | 53,234,347 |
| **Total liabilities** | **426,898,693** | **211,553,732** | **89,073,704** | **175,418,753** | **-** | **476,046,189** |

### Interest rate risk

The Company is exposed to interest rate risk due to floating interest rates of borrowings and bonds issued. The risk is managed by the Company by maintaining an appropriate mix between fixed and floating rate borrowings and factoring receivables.

***Interest rate profile***

As at 30 June 2012 and 31 December 2011, the interest rate profiles of the interest-bearing financial instruments were as follows:

| | **Carrying Amount** | |
|---|---|---|
| | **30 June 2012** | **31 December 2011** |
| **Fixed rate instruments:** | | |
| Factoring receivables, net | 511,350,462 | 466,061,322 |
| Borrowings | 98,634,740 | 248,143,285 |
| **Floating rate instruments:** | | |
| Borrowings | 240,012,735 | 131,018,805 |
| Bonds issued | 119,849,183 | 47,736,603 |

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

## NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

***Interest rate sensitivity***

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the balance sheet date was outstanding for the whole year. 0.5% increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 0.5% higher/lower and all other variables were held constant, the Company's:

- Profit for the period ended 30 June 2012 would decrease/increase by TL225,215 (30 June 2011: TL147,985). This is mainly attributable to the Company's exposure to interest rates on its variable rate receivables and borrowings;

The tables below summarises average effective interest rates by major currencies for monetary financial instruments at 30 June 2012 and 31 December 2011:

| | 30 June 2012 | | 31 December 2011 | |
|---|---|---|---|---|
| | **JPY (%)** | **TL (%)** | **JPY (%)** | **TL (%)** |
| **Assets** | | | | |
| Cash and due from banks | | | | |
| - time deposits | - | - | - | 10.07 |
| Factoring receivables | - | 23.26 | - | 30.25 |
| **Liabilities** | | | | |
| Borrowings | 3.00 | 15.89 | 3.00 | 15.44 |
| Bonds issued | - | 12.92 | - | 13.39 |

### Operational risk

The most comprehensive meaning of operational risk is considered to be any risk which is not classified as market and credit risk. In managing operational risk, increasing the skills of the staff, improving the job technology and job definitions, establishing the necessary internal controls and insurance are employed as main methods.

### Fair value of financial instruments

Fair value is the amount at which a financial instrument can 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, if one exists.

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to develop the estimated fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange.

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

## NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial assets is measured according to the assumptions based on quoted bid prices of similar assets, or amounts derived from cash flow models.

The fair values of certain financial assets carried at cost, including cash and due from banks are considered to approximate their respective carrying values due to their short-term nature.

The fair value of factoring receivables and payables are also considered to approximate the carrying value due to their short-term nature,

| | 30 June 2012 | | 31 December 2011 | |
|---|---|---|---|---|
| | Carrying amount | Fair value | Carrying amount | Fair value |
| ***Financial assets*** | | | | |
| Cash and cash equivalents | 5,979,801 | 5,979,801 | 17,649,244 | 17,649,244 |
| Factoring receivables | 511,350,462 | 511,350,462 | 466,061,322 | 466,061,322 |
| ***Financial liabilities*** | | | | |
| Loans and borrowings | 338,647,475 | 307,346,587 | 379,162,090 | 379,162,090 |
| Debt securities | 119,849,183 | 129,580,034 | 47,736,603 | 52,050,871 |
| Factoring payables | 416,042 | 416,042 | 422,150 | 422,150 |

### Fair value hierarchy

IFRS 7 requires classification of line items at fair value presented at financial statements according to the defined levels. These levels depend on the availability of data used during fair value calculations. Classification for fair value is generated as follows below:

Level 1: Assets or liabilities with prices recorded (unadjusted) in active markets

Level 2: Assets or liabilities that are excluded in the Level 1 of recorded prices directly observable by prices or indirectly observable derived through prices observable from similar assets or liabilities

Level 3: Assets and liabilities where no observable market data can be used for valuation

According to these classification principles stated, the Company has no financial assets and liabilities carried at their fair value as of 30 June 2012 and 31 December 2011.

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

## NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Preparation of interim financial statements requires the usage of estimations and assumptions which may affect the reported amounts of assets and liabilities as of the balance sheet date, disclosure of contingent assets and liabilities and reported amounts of income and expenses during the interim financial period. The accounting assessments, forecasts and assumptions are reviewed continuously considering the past experiences, other factors and the reasonable expectations about the future events under current conditions. Although the estimations and assumptions are based on the best estimates of the management's existing incidents and operations, they may differ from the actual results.

### Deferred tax recognition

Deferred tax assets can only be recognised if a tax benefit if possible. Future taxable income and the amount of possible tax benefit depend on the Company's medium-term business plans and expectations arising from that. The business plan is based on the rational expectations of the Company according to its circumstances.

### Allowance for impairment of factoring receivables

A credit risk provision for impairment of factoring receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. The estimates used in evaluating the adequacy of the provision for impairment of factoring receivables are based on the aging of these receivable balances and the trend of collection performance. Regarding the portfolio provision, the Company uses historical probability of default and loss given default rates based on the statistical data which characterises the current market conditions and quality of the loan portfolio of the Company (Note 6).

### Property and equipment

The buildings are shown at fair value, based on valuations performed by TSKB Gayrimenkul Değerleme A.Ş. which has regulatory licences about real estate valuation, at the end of each financial reporting period. As of the date of these interim financial statements, the net carrying amount of buildings are shown with their fair based on expertise report performed on December 2011.

## NOTE 5 - CASH AND DUE FROM BANKS

At 30 June 2012 and 31 December 2011 cash and due from banks comprised of the following:

| | **30 June 2012** | **31 December 2011** |
|---|---|---|
| Cash | 21,443 | 2,858 |
| Due from banks | 5,958,358 | 17,646,386 |
| - demand deposits | 1,178,358 | 14,139,187 |
| - time deposits | 4,780,000 | 3,507,199 |
| | **5,979,801** | **17,649,244** |

The Company has no blocked deposits as of 30 June 2012 and 31 December 2011.

For the purposes of the cash flow statement, cash and cash equivalents amounting to TL5,979,801 (30 June 2011: TL394,086) comprised from cash and due from banks excluding accrued interest.

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

## NOTE 6 - FACTORING RECEIVABLES

| | 30 June 2012 | 31 December 2011 |
|---|---|---|
| Domestic factoring receivables | 531,142,462 | 485,958,195 |
| Impaired factoring receivables | 17,130,286 | 11,826,418 |
| Factoring payables | (416,042) | (422,150) |
| **Gross factoring receivables** | **547,856,706** | **497,362,463** |
| Less: unearned revenue | (19,792,000) | (19,896,873) |
| Less: provision for impairment | (17,130,286) | (11,826,418) |
| **Factoring receivables, net** | **510,934,420** | **465,639,172** |

Unearned revenue represents advance collections of factoring commissions, interests and other expense charges, recognised on pro-rata basis over the term of the collection of factoring receivables.

As of 30 June 2012 and 31 December 2011 the Company has no floating rate receivables. Against factoring receivables from customers, as of 30 June 2012, the Company has cheques and debentures in total amounted to TL532,036,229 (31 December 2011: TL485,412,154).

Maturity analysis of the net factoring receivables is as follows:

| | 30 June 2012 | 31 December 2011 |
|---|---|---|
| Up to 1 month | 163,114,771 | 176,667,463 |
| 1 month to 3 month | 199,886,046 | 191,238,609 |
| 3 month to 1 year | 167,349,195 | 117,495,082 |
| 1 year and over | 792,450 | 557,041 |
| | **531,142,462** | **485,958,195** |

Factoring receivables can be analysed as follows:

| | 30 June 2012 | 31 December 2011 |
|---|---|---|
| Neither past due nor impaired | 511,350,462 | 466,061,322 |
| Past due but not impaired | - | - |
| Impaired | 17,130,286 | 11,826,418 |
| **Gross** | **528,480,748** | **477,887,740** |
| Less: provision for impairment | (17,130,286) | (11,826,418) |
| **Net factoring receivables** | **511,350,462** | **466,061,322** |

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

## NOTE 6 - FACTORING RECEIVABLES (Continued)

Aging analysis of the impaired factoring receivables is as follows:

| | 30 June 2012 Total impaired Factoring receivables | Provision amount | 31 December 2011 Total impaired Factoring receivables | Provision amount |
|---|---|---|---|---|
| 1-3 months | 931,041 | 931,041 | 2,349,175 | 2,349,175 |
| 3-6 months | 3,422,360 | 3,422,360 | 635,231 | 635,231 |
| 6 months and over | 12,776,885 | 12,776,885 | 8,842,012 | 8,842,012 |
| **Total** | **17,130,286** | **17,130,286** | **11,826,418** | **11,826,418** |

Movement in the provision for impaired factoring receivables during the year is as follows:

| | 2012 | 2011 |
|---|---|---|
| **Balance at 1 January** | **11,826,418** | **9,750,289** |
| Charge for the year | 7,434,076 | 1,013,608 |
| Recoveries of amounts previously provided | (2,125,673) | (1,078,108) |
| Write- offs | (4,535) | (121,668) |
| **Balance at 30 June** | **17,130,286** | **9,564,121** |

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. There are no renegotiated factoring receivables that would otherwise be past due or impaired at 30 June 2012 and 31 December 2011.

As of 30 June 2012 and 31 December 2011 the Company obtained the following collaterals from its customers against their outstanding exposures:

| | 30 June 2012 | 31 December 2011 |
|---|---|---|
| Guarantee cheques and notes received | 50,000 | 130,000 |
| | **50,000** | **130,000** |

The distribution of the gross factoring receivables by the industrial segments is as belows;

| | 30 June 2012 | % | 31 December 2011 | % |
|---|---|---|---|---|
| Textile | 55,936,315 | 11 | 69,328,870 | 14 |
| Construction | 60,759,358 | 11 | 50,490,583 | 10 |
| Iron and steel | 60,636,696 | 11 | 55,486,780 | 11 |
| Food | 41,535,502 | 8 | 41,904,743 | 9 |
| Rubber and plastics | 37,920,089 | 7 | 20,176,530 | 4 |
| Trading | 37,036,548 | 7 | 40,915,713 | 8 |
| Tourism | 33,298,246 | 6 | 35,287,421 | 7 |
| Machinery | 28,689,635 | 5 | 20,028,390 | 4 |
| Electrics and electronics | 24,719,957 | 5 | 32,771,923 | 7 |
| Wood products | 22,034,978 | 4 | 3,862,039 | 2 |
| Agricultural products | 20,345,789 | 4 | 10,564,824 | 2 |
| Paper and printing | 19,898,118 | 4 | 26,591,726 | 5 |
| Automotive | 16,323,988 | 3 | 15,446,891 | 3 |
| Chemicals | 14,300,701 | 3 | 20,207,407 | 4 |
| Leather products | 8,139,540 | 2 | 7,319,770 | 3 |
| Other | 49,567,002 | 9 | 35,574,585 | 7 |
| | **531,142,462** | **100** | **485,958,195** | **100** |

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

## NOTE 7 - OTHER ASSETS AND PREPAID EXPENSES

| | 30 June 2012 | 31 December 2011 |
|---|---|---|
| Advances given | 1,028,727 | 808,300 |
| Prepaid expenses | 38,615 | 122,142 |
| Other | 85,694 | 87,585 |
| | **1,153,036** | **1,018,027** |

## NOTE 8 - PROPERTY AND EQUIPMENT

| | 1 January 2012 | Additions | Disposals | 30 June 2012 |
|---|---|---|---|---|
| **Cost** | | | | |
| Buildings (*) | 15,862,576 | 8,260 | - | 15,870,836 |
| Motor vehicles | 142,432 | - | (142,432) | - |
| Furniture and fixtures | 1,708,608 | 82,373 | - | 1,790,981 |
| Leasehold improvements | 590,195 | 10,847 | - | 601,042 |
| | **18,303,811** | **101,480** | **(142,432)** | **18,262,859** |
| **Accumulated depreciation** | | | | |
| Buildings (*) | 673,419 | 54,809 | - | 728,228 |
| Motor vehicles | 142,432 | - | (142,432) | - |
| Furniture and fixtures | 1,073,875 | 77,669 | - | 1,151,544 |
| Leasehold improvements | 471,275 | 14,286 | - | 485,561 |
| | **2,361,001** | **146,764** | **(142,432)** | **2,365,333** |
| **Net book value** | **15,942,810** | | | **15,897,526** |

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

## NOTE 8 - PROPERTY AND EQUIPMENT (Continued)

| | 1 January 2011 | Additions | Disposals | 30 June 2011 |
|---|---|---|---|---|
| **Cost** | | | | |
| Buildings (*) | 11,928,259 | - | - | 11,928,259 |
| Motor vehicles | 142,432 | - | - | 142,432 |
| Furniture and fixtures | 1,332,027 | 117,452 | (2,628) | 1,446,851 |
| Leasehold improvements | 493,559 | 45,681 | - | 539,240 |
| | **13,896,277** | **163,133** | **(2,628)** | **14,056,782** |
| **Accumulated depreciation** | | | | |
| Buildings (*) | 673,419 | 133,846 | - | 807,265 |
| Motor vehicles | 142,432 | - | - | 142,432 |
| Furniture and fixtures | 869,042 | 93,426 | (30) | 962,438 |
| Leasehold improvements | 430,796 | 21,273 | - | 452,069 |
| | **2,115,689** | **248,545** | **(30)** | **2,364,204** |
| **Net book value** | **11,780,588** | | | **11,692,578** |

There is no collateral or lien tied on the tangible assets of the Company. The total insurance amount over the tangible assets is amounted to TL5,217,617 (31 December 2011: TL5,217,617).

(*) The net book values of the Company's buildings are presented with their fair value amounts based on the valuation report obtained on December 2011 and 2010, from TSKB Real Estate Appraisal, which is a licenced valuation expertise company. The presented amounts are included the revaluation reserve amounts that are presented under the equity as "Asset revaluation reserve". As of 30 June 2012 this amount is equal to TL9,824,200 excluding the deferred tax reserve (31 December 2011: TL9,824,200).

## NOTE 9 - INTANGIBLE ASSETS

| | 1 January 2012 | Additions | Disposals | 30 June 2012 |
|---|---|---|---|---|
| **Cost** | | | | |
| Software | 380,813 | 49,456 | - | 430,269 |
| **Accumulated amortisation** | | | | |
| Software | (230,739) | (30,705) | - | (261,444) |
| **Net book value** | **150,074** | | | **168,825** |

| | 1 January 2011 | Additions | Disposals | 30 June 2011 |
|---|---|---|---|---|
| **Cost** | | | | |
| Software | 280,820 | 30,135 | | 310,955 |
| **Accumulated amortisation** | | | | |
| Software | (168,589) | (31,855) | | (200,444) |
| **Net book value** | **112,231** | | | **110,511** |

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

## NOTE 10 - BORROWINGS

Borrowings at 30 June 2012 and 31 December 2011 are set out below according to their currencies:

| | 30 June 2012 | | | 31 December 2011 | | |
|---|---|---|---|---|---|---|
| | Effective Interest % | Original Currency | TL | Effective Interest % | Original Currency | TL |
| TL | 12.00-16.38 | 338,213,148 | 338,213,148 | 10.50 - 16.00 | 378,022,055 | 378,022,055 |
| JPY | 3.00 | 19,151,909 | 434,327 | 3.00 | 46,837,913 | 1,140,035 |
| | | | **338,647,475** | | | **379,162,090** |

## NOTE 11 - BONDS ISSUED

| | 30 June 2012 | 31 December 2011 |
|---|---|---|
| Bonds issued | 119,849,183 | 47,736,603 |
| | **119,849,183** | **47,736,603** |

## NOTE 12 - OTHER LIABILITIES

| | 30 June 2012 | 31 December 2011 |
|---|---|---|
| Banking Insurance Transaction Tax (BITT) | 496,918 | 649,034 |
| Personnel income tax | 403,862 | 434,255 |
| Social security premiums | 218,922 | 436,674 |
| Stamp tax | 9,900 | 10,443 |
| VAT payable | 2,159 | 1,110 |
| Factoring fees payable | - | 31,918 |
| **Taxes and duties other than income** | **1,131,761** | **1,563,434** |
| Payables to suppliers | 336,807 | 279,215 |
| Other | 20,491 | 163,852 |
| **Others** | **357,298** | **443,067** |
| | **1,489,059** | **2,006,501** |

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

## NOTE 13 - EMPLOYMENT BENEFIT OBLIGATIONS

| | 30 June 2012 | 31 December 2011 |
|---|---|---|
| Reserve for employment termination benefits | 930,944 | 942,983 |
| Reserve for unused vacation | 578,941 | 507,108 |
| | **1,509,885** | **1,450,091** |

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of TL2,917.27 as of 30 June 2012 (31 December 2011: TL2,731.85) for each year of service.

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

The reserve has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of its employees.

IAS 19 requires actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability as at 30 June 2012 and 31 December 2011:

| | 30 June 2012 | 31 December 2011 |
|---|---|---|
| Discount rate (%) | 5.71 | 3.91 |
| Turnover rate to estimate the probability of retirement (%) | 3 | - |

The principal assumption is that the maximum liability for each year service will increase in line with inflation. As the maximum liability is revised semi-annually the maximum amount of TL3,033.98 (1 January 2012: TL2,623.23) which is effective from 1 July 2012 has been taken into consideration in calculating the provision for employment termination benefits of the Company.

Movement of the reserve for employment termination benefits for the period is as follows:

| | 2012 | 2011 |
|---|---|---|
| **1 January** | **942,983** | **724,668** |
| Provision cancellation | (83,062) | - |
| Provision for the period (Note 18) | 71,023 | 144,329 |
| **30 June** | **930,944** | **868,997** |

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

**NOTE 13 - EMPLOYMENT BENEFIT OBLIGATIONS (Continued)**

Movement of the reserve for unused vacation provision for the period is as follows:

| | 2012 | 2011 |
|---|---|---|
| **1 January** | **507,108** | **186,680** |
| Provision for the period (Note 18) | 71,833 | 43,899 |
| **30 June** | **578,941** | **230,579** |

**NOTE 14 - TAXATION**

The taxation on income for the periods ended 30 June 2012 and 2011 are summarized as follows:

| | 30 June 2012 | 31 December 2011 |
|---|---|---|
| Current tax liability | 754,225 | 2,812,147 |
| Less: prepaid taxes | (271,018) | (1,940,144) |
| **Current tax liability** | **483,207** | **872,003** |

| | 30 June 2012 | 30 June 2011 |
|---|---|---|
| Current period tax expense | (754,225) | (1,016,720) |
| Taxation difference in respect of prior year | (337,142) | - |
| Deferred tax income / (expense) | (77,885) | 110,005 |
| **Taxation expense** | **(1,169,252)** | **(906,715)** |

The Corporate Tax Law has been amended with the law dated 13 September 2006 and numbered 5520. Many articles of the Corporate Tax Law numbered 5520 have been effective from 1 January 2006. Accordingly, the corporate tax rate in Turkey is 20% for the year 2012 (2011: 20%). Corporate tax rate is calculated on the total income of the company after adjusting for certain disallowable expenses, exempt income and other allowances. No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey or to resident corporations, are not subject to withholding tax, Otherwise, dividends paid are subject to withholding tax at the rate of 15% (Provisions of bilateral tax treaties are reserved for non-residents), An increase in capital via issuing bonus shares is not considered as profit distribution and no withholding tax incurs in such a case.

Corporations are required to pay advance corporate tax quarterly at a rate of 20% (2011: 20%) on their corporate income, Advance tax is declared by the 14th and paid by the 17th day of the second month following each calendar quarter end, Advance tax paid by corporations which is for the current period is credited against the annual corporation tax calculated on their annual corporate income in the following year, Despite the offset, if there is temporary prepaid tax remaining, this balance can be refunded or used to offset any other financial liabilities to the government,

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

## NOTE 14 - TAXATION (Continued)

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

75% of the capital gains derived from the sale of equity investments and immovable properties held for at least two years is tax exempt, if such gains are added to paid-in capital or booked in a special reserve account for at least 2 years in accordance with the Corporate Tax Law and if the main business activity of the Company is not equity/immovable trading. The company estimates that it will comply with these requirements and has calculated the deferred tax liability with the 5% effective taxation rate (31 December 2011: 20%).

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Tax returns are required to be filled and delivered to the related tax office until the evening 25th of the fourth month following the balance sheet date. Tax returns are open for five years from the beginning of the year following the date of filing during which period 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.

The current tax charge for the Company can be reconciled as follows:

| | 30 June 2012 | 30 June 2011 |
|---|---|---|
| Income before taxation | 4,074,127 | 4,525,026 |
| Theoretical tax expense (20%) | (814,825) | (905,005) |
| Taxation difference in respect of prior year | (337,142) | - |
| Disallowable expenses | (21,460) | (1,710) |
| Deductions | 4,175 | - |
| **Taxable income for Turkish tax legislation** | **(1,169,252)** | **(906,715)** |

Under IAS 12, which deals with income taxes, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized and deferred tax assets should be reduced to the extent that it is no longer probable that the related tax benefit will be realised. The deferred tax asset and deferred tax liability have been net off in these financial statements.

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

**NOTE 14 - TAXATION (Continued)**

**Deferred taxes**

The breakdown of deductible and taxable temporary differences is as follows:

| | Cumulative temporary differences | | Deferred tax assets/(liabilities) | |
|---|---|---|---|---|
| | **30 June 2012** | **31 December 2011** | **30 June 2012** | **31 December 2011** |
| Provision for factoring receivables | 1,509,885 | 1,450,091 | 301,977 | 290,018 |
| Employment benefit obligations | 6,433,545 | 4,380,478 | 1,286,709 | 876,096 |
| Deferred commission income | 2,242,180 | 5,740,888 | 448,436 | 1,148,178 |
| Other | - | 11,688 | - | 2,338 |
| **Deferred tax asset** | **10,185,610** | **11,583,145** | **2,037,122** | **2,316,630** |
| Difference between carrying values and tax base of bonds issued and borrowings | 685,654 | 1,655,169 | 137,131 | 331,034 |
| Valuation difference between carrying values and tax base of property and equipment (*) | 9,824,200 | 9,824,200 | 491,210 | 1,964,840 |
| Difference between carrying values and tax base of property and equipment | 751,725 | 790,324 | 150,345 | 158,065 |
| **Deferred tax liability** | **11,261,579** | **12,269,693** | **778,686** | **2,453,939** |
| **Deferred tax asset, net** | | | **1,258,436** | **(137,309)** |

(*) The deferred tax charge derived from the revaluation reserve of the buildings are recognized under the comprehensive income statement on the section of "other comprehensive income". For the current year period the deferred tax liability amount has been calculated with the effective taxation rate of 5%.

The movement of deferred assets / (liabilities) are as follows:

| | **30 June 2012** | **31 December 2011** |
|---|---|---|
| **Balance at 1 January** | **(137,309)** | **292,856** |
| Deferred tax income / (expense) recognised in the statement of comprehensive income | (77,885) | 409,243 |
| Deferred tax expense recognised in equity | 1,473,630 | (839,408) |
| | **1,258,436** | **(137,309)** |

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

## NOTE 15 - SHARE CAPITAL

As at 30 June 2012 and 31 December 2011, the nominal value of the Company's authorised and paid-in share capital amount is TL30,000,000 comprising 30,000,000 registered shares of par value of TL1. As at 30 June 2012 and 31 December 2011, the composition of the authorised and paid-in share capital is as follows:

| | | | | | 30 June 2012 | 31 December 2011 | |
|---|---|---|---|---|---|---|---|
| | **Share (%)** | **Shares Group A** | **Shares Group B** | **Shares Group C** | **Total** | **Share (%)** | **Total** |
| Yuda Elenkave | 39,82 | 20,000 | 11,925,130 | - | 11,945,130 | 39,82 | 11,945,130 |
| Nedim Menda | 34,85 | 10,000 | 10,445,000 | - | 10,455,000 | 34,85 | 10,455,000 |
| Jak Sucaz | 10,20 | 10,000 | 3,050,000 | - | 3,060,000 | 10,20 | 3,060,000 |
| Raşel Elenkave | 5,11 | 10,000 | 1,520,000 | - | 1,530,000 | 5,11 | 1,530,000 |
| Credit Suisse Investments (Netherlands) B,V, | 9,90 | - | - | 2,970,000 | 2,970,000 | 9,90 | 2,970,000 |
| Can Güney | 0,04 | - | 13,290 | - | 13,290 | 0,04 | 13,290 |
| Ayşe Bayoğlu | 0,04 | - | 13,290 | - | 13,290 | 0,04 | 13,290 |
| İbrahim Betil | 0,04 | - | 13,290 | - | 13,290 | 0,04 | 13,290 |
| **Share capital** | **100** | **50,000** | **26,980,000** | **2,970,000** | **30,000,000** | **100** | **30,000,000** |
| **Adjustment to share capital** | | | | | **5,873,808** | | **5,873,808** |
| **Total paid-in share capital** | | | | | **35,873,808** | | **35,873,808** |

According to the share agreement of the Company, Group A shareholders have the right to appoint a simple majority of the members of the Board, Group B shareholders have economic rights to dividends/distributions and pre-emptive rights with respect to future share issuances as well as the ordinary rights of a shareholder, Group C shareholders have the right to appoint one member of the Board and have extensive veto rights over strategic and financial decisions of the Company including: (a) approval of annual budgets and financial statements; (b) material acquisitions/disposals; (c) amount of total indebtedness; (d) appointment of senior management; and (e) related party transactions and changes to the Company's share capital structure.

## NOTE 16 - RETAINED EARNINGS AND LEGAL RESERVES

The legal reserves consist of first and second reserves, appropriated in accordance with Turkish Commercial Code ("TCC"). TCC stipulates that the first legal reserve is appropriated out of statutory profits at a rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at a rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital.

At 30 June 2012 and 31 December 2011, reserves held by the Company in the statutory financial statements which were adjusted for the effects of inflation in accordance with tax law are as follows:

| | **30 June 2012** | **31 December 2011** |
|---|---|---|
| Legal reserves | 4,154,587 | 3,558,812 |

Inflation adjustment to shareholders' equity can only be net off against prior years' losses and used as an internal source in capital increase where extraordinary reserves can be net off against prior years' losses, used in distribution of bonus shares and distribution of dividends to shareholders.

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

## NOTE 16 - RETAINED EARNINGS AND LEGAL RESERVES (Continued)

The asset revaluation reserve is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity. For the periods ended on 30 June 2012 and 31 December 2011, the movements in the revaluation fund are as follows:

| | 30 June 2012 | 31 December 2011 |
|---|---|---|
| **Balance at 1 January** | **9,824,200** | **6,466,576** |
| Revaluation of buildings | - | 4,197,032 |
| Deferred tax effect of revaluation of buildings (Note 14) | 1,473,630 | (839,408) |
| | **11,297,830** | **9,824,200** |

## NOTE 17 - OTHER OPERATING INCOME

| | 30 June 2012 | 30 June 2011 |
|---|---|---|
| Collections from written-off factoring receivables | 2,125,673 | 1,078,108 |
| Cancellation of provisions | 157,766 | - |
| Capital gains from fixed asset sales | 62,376 | - |
| Rent income | 18,650 | 26,000 |
| Other | 26,064 | 121,400 |
| | **2,390,529** | **1,225,508** |

## NOTE 18 - OPERATING EXPENSES

| | 30 June 2012 | 30 June 2011 |
|---|---|---|
| Personnel expenses | 10,627,081 | 7,206,324 |
| Advertising expenses | 970,092 | 436,406 |
| Rent expenses | 654,800 | 435,391 |
| Consultancy expenses | 300,775 | 370,806 |
| Travelling expenses | 278,297 | 234,666 |
| Communication expenses | 214,998 | 170,969 |
| Office expenses | 200,446 | 174,334 |
| Depreciation and amortisation (Note 8, 9) | 177,469 | 280,400 |
| Legal and court expenses | 135,595 | 52,738 |
| Subscription expenses | 104,188 | 82,918 |
| Maintenance and repair expenses | 92,834 | 17,224 |
| Unused vacation expense (Note 13) | 71,833 | 43,899 |
| Employment termination benefits expense (Note 13) | 71,023 | 144,329 |
| Taxes and other duties expense | 58,041 | 100,085 |
| Other | 122,335 | 20,092 |
| | **14,079,807** | **9,770,581** |

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

## NOTE 18 - OPERATING EXPENSES (Continued)

The details of the personnel expenses as of 30 June 2012 and 2011 is as follows:

| | 30 June 2012 | 30 June 2011 |
|---|---|---|
| Salary expenses | 5,645,163 | 4,098,804 |
| Remuneration of top management (Note 20) | 3,789,815 | 2,198,328 |
| Social security premium employer's share | 758,483 | 555,818 |
| Meal expenses | 329,952 | 236,860 |
| Counsel fees | 99,222 | 110,809 |
| Audit committee salary expense | 4,446 | 3,557 |
| Other | - | 2,148 |
| | **10,627,081** | **7,206,324** |

## NOTE 19 - FEE AND COMMISSION INCOME/ (EXPENSE)

| | 30 June 2012 | 30 June 2011 |
|---|---|---|
| **Fee and commission income on:** | | |
| Factoring commission income | 12,233,813 | 11,059,338 |
| | **12,233,813** | **11,059,338** |
| **Fee and commission expense on:** | | |
| Commission expenses for banking transactions | (229,518) | (249,153) |
| Commission expense for bonds issued | - | (45,122) |
| Other | (7,487) | (2,556) |
| | **(237,005)** | **(296,831)** |
| **Net fee and commission income** | **11,996,808** | **10,762,507** |

## NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. A number of transactions were entered into with related parties in the normal course of business.

### a) Balances with related parties

| | 30 June 2012 | 31 December 2011 |
|---|---|---|
| **Borrowings** | | |
| Credit Suisse AG London Branch | 240,012,735 | 131,018,805 |
| | **240,012,735** | **131,018,805** |

(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

## NOTE 20 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

| b) Transactions with related parties | 30 June 2012 | 30 June 2011 |
|---|---|---|
| **Borrowing interest expense** | | |
| Credit Suisse AG London Branch | 10,500,350 | 906,481 |
| | **10,500,350** | **906,481** |
| **Remuneration of top management** | | |
| Remuneration of top management | 3,789,815 | 2,198,328 |

Total remuneration of top management consists of gross salary and bonus premium paid to general manager and other key executives.

## NOTE 21 - COMMITMENTS AND CONTINGENT LIABILITIES

In the normal course of activities, the Company undertakes commitments and incurs certain contingent liabilities that are not presented in these interim financial statements. The following is a summary of significant commitments and contingent liabilities at 30 June 2012 and 31 December 2011.

| Guarantees given | 30 June 2012 | 31 December 2011 |
|---|---|---|
| Guarantees given to banks for borrowings | 504,694,483 | 474,687,921 |
| Guaranteed credit limits to customers | 160,000 | - |
| Guarantees given to legal courts | 53,800 | 20,700 |
| | **504,908,283** | **474,708,621** |

There are ongoing lawsuits against the Company. As of the date of this report due to lack of final decision on these cases because of the measurement of amount of potential cash outflows in a safe manner the Company did not calculate a provision in respect of contingent events.

## NOTE 22 - SUBSEQUENT EVENTS

As of 16 August 2012, in the Company's extraordinary general assembly meeting, the issuance of additional debt securities amounted to TL100,000,000 in nominal with different maturities has been decided based on the article 9 of the articles of incorporation of the Company.

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