PAMUK FACTORİNG A.Ş. AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS
AT 31 DECEMBER 2009
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT

PRICEWATERHOUSECOOPERS

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of Pamuk Factoring A.Ş.

1. We have audited the accompanying consolidated financial statements of Pamuk Factoring A.Ş. ("the Company") and its subsidiary (together, "the Group") which comprise the consolidated balance sheet as of 31 December 2009 and consolidated income statement, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

4. In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as of 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

Z. Alper Önder, SMMM

Istanbul, 30 April 2010

PAMUK FACTORİNG A.Ş. AND ITS SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2009

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PAMUK FACTORİNG A.Ş. AND ITS SUBSIDIARY

CONSOLIDATED BALANCE SHEET AT 31 DECEMBER 2009

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

	Notes	2009	2008
ASSETS			
Cash and due from banks	5	6,078,654	29,621,613
Finance lease receivables, net	6	123,760,035	127,953,804
Factoring receivables, net	7	58,684,273	44,667,332
Derivative financial instruments	8	-	564,487
Assets held for sale	9	147,048	74,016
Available-for-sale investment securities	10	7,528	9,742
Other assets and prepaid expenses	13	1,015,888	1,569,412
Property and equipment	14	167,849	245,627
Intangible assets	15	14,436	19,537
Deferred tax asset	16	4,291,097	828,269
Total assets		**194,166,808**	**205,553,839**
LIABILITIES AND EQUITY			
Borrowings and bonds issued	11	74,977,948	97,724,040
Accounts payable	12	139,959	161,540
Current tax liabilities		143,655	161,439
Derivative financial instruments	8	357,577	-
Other liabilities and accrued expenses	17	856,040	2,814,225
Employment benefit obligations	18	79,078	91,143
Total liabilities		**76,554,257**	**100,952,387**
EQUITY			
Share capital	19	50,000,000	50,000,000
Adjustment to share capital	19	6,440,321	6,440,321
Total paid-in share capital	19	56,440,321	56,440,321
Legal reserves	20	5,672,340	5,672,340
Retained earnings	20	55,499,890	42,488,791
Total equity attributable to equity holders of the parent		**117,612,551**	**104,601,452**
Total liabilities and equity		**194,166,808**	**205,553,839**
Commitments and contingent liabilities	25		

These consolidated financial statements as at and for the year ended 31 December 2009 have been approved for issue by the Board of Directors on 30 April 2010.

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

PAMUK FACTORİNG A.Ş. AND ITS SUBSIDIARY

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2009

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

	Notes	1 January- 31 December 2009	1 January- 31 December 2008
Interest income from finance lease receivables		13,633,974	13,985,370
Factoring interest income		7,988,878	7,129,314
Interest income on placements and transactions with banks		1,653,798	3,360,804
Interest income from overdue charges on finance lease receivables and factoring receivables		821,590	448,311
Interest income		**24,098,240**	**24,923,799**
Interest expense on bank borrowings		(6,549,553)	(7,878,725)
Interest expense from derivative financial instruments		(1,357,033)	(770,260)
Net interest income		**16,191,654**	**16,274,814**
Fee and commission income	21	1,444,207	1,136,435
Fee and commission expense	21	(51,607)	(22,931)
Net fee and commission income		**1,392,600**	**1,113,504**
Foreign exchange gains and losses, net		(807,247)	11,234,071
Impairment loss on finance lease receivables	6	(845,186)	(3,346,757)
Impairment loss on factoring receivables	7	(4,272,968)	(1,744,304)
Other operating income/(expense), net	22	1,998,964	(820,729)
Operating income		**13,657,817**	**22,710,599**
Operating expenses	23	(4,109,546)	(3,947,353)
Profit before income taxes		**9,548,271**	**18,763,246**
Taxation on income	16	3,462,828	773,288
Net profit for the year		**13,011,099**	**19,536,534**
Attributable to:			
Equity holders of the parent		13,011,099	19,536,534
Minority interest		-	-

The accompanying notes form an integral part of these consolidated financial stetements.

PAMUK FACTORİNG A.Ş. AND ITS SUBSIDIARY

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2009

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

	2009	2008
Net profit for the year	**13,011,099**	**19,536,534**
Other comprehensive income:		
Other comprehensive income	-	-
Total comprehensive income	**13,011,099**	**19,536,534**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2009

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

	Paid in share capital					
	Share capital	**Adjustment to share capital**	**Total paid-in share capital**	**Legal reserves**	**Retained earnings**	**Total Equity**
Balance at 1 January 2008	**50,000,000**	**6,440,321**	**56,440,321**	**5,672,340**	**22,952,257**	**85,064,918**
Total comprehensive income for the year	-	-	-		19,536,534	19,536,534
Balance at 31 December 2008	**50,000,000**	**6,440,321**	**56,440,321**	**5,672,340**	**42,488,791**	**104,601,452**
Balance at 1 January 2009	**50,000,000**	**6,440,321**	**56,440,321**	**5,672,340**	**42,488,791**	**104,601,452**
Total comprehensive income for the year	-	-	-	-	13,011,099	13,011,099
Balance at 31 December 2009	**50,000,000**	**6,440,321**	**56,440,321**	**5,672,340**	**55,499,890**	**117,612,551**

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

PAMUK FACTORİNG A.Ş. AND ITS SUBSIDIARY

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2009
(Amounts expressed in Turkish lira ("TL"), unless otherwise indicated)

	Notes	2009	2008
Net profit for the year		13,011,099	19,536,534
Adjustments for:			
Depreciation and amortisation	14, 15	88,670	91,096
Reserve for employment termination benefit	18	20,576	83,132
Provision for tax and legal proceedings	17	259,965	974,122
Provision for impaired factoring and finance lease receivables	6, 7	5,118,154	5,091,061
Fair value for derivative financial instrument	8	357,577	(564,487)
Interest expense		10,439,856	8,648,985
Interest income		(26,740,790)	(24,923,799)
Interest paid		(10,740,718)	(6,925,049)
Interest received		24,287,003	18,407,980
Deferred tax income	16	(3,462,828)	(773,288)
Provision for unused vacation		8,511	7,456
Unrealised foreign currency (gains)/losses		27,717	(430,540)
Cash flows from operating profit before changes in operating assets and liabilities		**12,674,792**	**19,223,203**
Changes in operating asset and liabilities:			
Net decrease/(increase) in restricted cash		20,933,632	(25,472,732)
Net increase factoring receivables		(18,264,826)	(38,261,904)
Net decrease/(increase) in finance lease receivables		2,780,657	(44,593,498)
Net decrease in other assets and prepaid expenses		4,120,520	37,967,079
Net increase in assets held for sale	9	(73,032)	-
Net decrease in account payables		(21,581)	(5,190,029)
Net (decrease)/increase in other liabilities		(2,277,086)	1,159,319
Net cash used in operating activities		**19,873,076**	**(55,168,562)**
Cash flows from investing activities:			
Purchase of property, plant and equipment	14	(7,215)	(103,716)
Purchase of intangible assets - net of disposals	15	-	(16,350)
Net cash used in investing activities		**(7,215)**	**(120,066)**
Cash flows from financing activities:			
(Payments)/Proceeds of borrowings		(26,520,230)	14,384,541
Bonds issued	11	4,075,000	-
Net cash (used in)/from financing activities		**(22,445,230)**	**14,384,541**
Net decrease in cash and cash equivalents	5	(2,579,369)	(40,904,087)
Effect of foreign exchange rate changes on cash and cash equivalents		(27,717)	430,540
Cash and cash equivalents at beginning of the year	5	4,146,432	44,619,979
Cash and cash equivalents at end of the year		**1,539,346**	**4,146,432**

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

NOTE 1 - ORGANISATION AND PRINCIPAL ACTIVITIES

Pamuk Factoring A.Ş. ("the Company") was incorporated in 1992 with the name of Direct Factoring Anonim Şirketi and taken over by Savings Deposit and Insurance Fund ("SDIF") in 2002. The Company has been transferred to Karadeniz Holding A.Ş. and started both domestic and export factoring services to industrial and commercial enterprises in Turkey in 2007. The registered office address of the Company is Develi Sokak No:14, 34406 Kağıthane, İstanbul / Turkey.

Based on the decision of Banking Regulation and Supervision Agency ("BRSA") dated 28 May 2008 No:2626 the Company is entitled to operate in factoring business in accordance with Regulation on the Incorporation and Operating Principles of Leasing, Factoring and Finance Companies. The Company is a member of international group of factoring companies, Factors Chain International ("FCI").

The main shareholder of the Company is Karadeniz Holding A.Ş.. As at 31 December 2009, the Company employs 12 employees (2008: 12).

The Company and its subsidiary (hereafter referred to as "the Group") are currently organised into two operating divisions, factoring and leasing. These divisions are the basis on which the Group reports its primary segment information.

These financial statements as at and for the year ended 31 December 2009 have been approved for the issue by the Board of Directors on 30 April 2010.

The subsidiary of the Company is explained below:

Pamuk Finansal Kiralama Anonim Şirketi

Pamuk Finansal Kiralama A.Ş. ("the Subsidiary") was incorporated in April 1990 to operate in Turkey under the provisions of the Turkish Financial Leasing Law number 3226. The subsidiary started leasing operations in 1990 and its head office is located at Develi Sokak No:14, 34406 Kağıthane, İstanbul / Turkey. The subsidiary is engaged in leasing of industrial machinery, office equipment, and various equipment and transport vehicles. The previous name of the entity, Interlease - Inter Finansal Kiralama Anonim Şirketi has changed to Pamuk Finansal Kiralama Anonim Şirketi on 2 January 2000.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2009, as described in those annual financial statements.

Basis of presentation of financial information

These financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRS"). IFRS comprise accounting standards issued by the International Accounting Standards Board ("IASB") and its predecessor body and interpretations issued by the International Financial Reporting Interpretations Committee ("IFRIC") and its predecessor body. The 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 financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in the respective accounting policy disclosures. 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.

Restatement for the effects of hyperinflation

Prior to 1 January 2006, the adjustments and reclassifications made to the statutory records for the purpose of fair presentation in accordance with IFRS included the restatement of balances and transactions for the changes in the general purchasing power of TL (Note 2.u) in accordance with IAS 29 "Financial Reporting in Hyperinflationary Economies". IAS 29 requires that the financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date. As the characteristics of the economic environment of the Turkey indicate that hyperinflation has ceased, effective from 1 January 2006, the Group no longer applies the provisions of IAS 29. Accordingly, the amounts expressed in the measuring unit current at 31 December 2005 are treated as the basis for the carrying amounts in these financial statements.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Consolidation principles

These consolidated financial statements include the accounts of the subsidiary Company, Pamuk Finansal Kiralama A.Ş. The financial statements of the Subsidiary included in the consolidation are based on the accounting principles and presentation basis applied by the Group in accordance with IFRS. The result of operations of the Subsidiary is included or excluded in these consolidated financial statements subsequent to the date of acquisition or date of sale respectively. Where necessary, accounting policies for the Subsidiary has been changed to ensure consistency with the policies adopted by the Group.

Subsidiary is the company in which the Company has the power to control the financial and operating policies for the benefit of itself either (1) through the power to exercise more than 50% of voting rights relating to shares in the companies as a result of shares owned directly and indirectly by itself and companies whereby Pamuk Factoring A.Ş. exercises control over the voting rights of (but does not have the economic benefit of) the shares held by them; or (2) although not having the power to exercise more than 50% of the voting rights, through the exercise of actual dominant influence over the financial and operating policies. Proportion of ownership interest represents the effective shareholding of the Group through the shares held directly by Pamuk Factoring A.Ş. and indirectly by its Subsidiary.

The ownership of the Subsidiary which is included in the consolidation as of 31 December 2009 and 2008 is as follows:

	Direct and indirect Control (%) 31 December 2009	Direct and indirect Control (%) 31 December 2008
Pamuk Finansal Kiralama A.Ş.	99.99	99.99

The balance sheet and income statement of the Subsidiary is consolidated on a line-by-line basis and the carrying value of the investment held by Pamuk Factoring A.Ş. and its Subsidiary is eliminated against the related equity. Intercompany transactions and balances between Pamuk Factoring A.Ş. and its Subsidiary are eliminated on consolidation. The cost of, and the dividends arising from, shares held by Pamuk Factoring A.Ş. in its Subsidiary is eliminated from equity and income for the year, respectively.

The acquisition of subsidiaries and businesses are accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3, "Business Combinations" are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5, "Non-Current Assets Held for Sale and Discontinued Operations", which are recognised and measured at fair value less costs to sell.

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

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognized. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Changes in standards and interpretations

Amendments to published standards and interpretations effective 1 January 2009

The application of the amendments and interpretations listed below did not result in substantial changes to the Group's accounting policies:

Standard	Description	Effective Date
IAS 1	Presentation of financial statements	1 January 2009
IAS 23	Borrowing of costs	1 January 2009
IFRS 3	Business Combinations	1 January 2009
IFRS 7	Financial Instruments: Disclosures	1 January 2009

- *IAS 1 (revised), 'Presentation of financial statements'*

  The revised standard prohibits the presentation of items of income and expenses (that is, "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity in a statement of comprehensive income. As at 31. December 2009 and 2008, the Group has no expenses presented in the statement of comprehensive income.

- *IAS 23 (revised), 'Borrowing of costs'*

  In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the revised standard requires that borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset should be capitalised.

- *Amendments to IFRS 7, 'Financial instruments: Disclosures'*

The IASB published amendments to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The adoption of the amendment results in additional disclosures but does not have an impact on the financial position or the comprehensive income of the Group.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Interpretations issued but not yet effective

The Group has chosen not to adopt early the following standards and interpretations that were issued but not yet effective for accounting periods beginning on 1 January 2010:

Standard	Description	Effective Date
IFRS 9	Financial instruments: Classification and measurement	1 January 2013
IAS 32	Presentation on Classification of rights issues	1 January 2010
IFRIC 19	Extinguishing financial liabilities with equity instruments	1 January 2010

'Improvements to IFRS" were issued in May 2008. They contain numerous amendments to IFRS that the IASB considers non-urgent but necessary. 'Improvements to IFRS' comprise amendments that result in accounting changes for presentation recognition or measurement purposes, as well as terminology or editorial amendments related to a variety of individual IFRS standards. The application of these new interpretations will not have a material impact on the Group's consolidated financial statements in the period of initial application.

Early adoption of standards

The Group did not early-adopt new or amended standards in 2009.

Related parties

For the purpose of these consolidated financial statements, the shareholders, key management personnel and Board members, the Karadeniz Holding A.Ş. and the companies controlled by or affiliated with them are considered and referred to as related parties (Note 25).

Factoring receivables

Factoring receivables originated by the Group by providing money directly to the borrower 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.

Accounting for leases where the Group is a lessor

When assets are sold under a finance lease, the present value of the lease payments is recognised as a receivable. All costs that are directly attributable to the investment in direct finance lease are capitalised at initial recognition as part of the investment in direct finance lease and amortised via effective interest rate method. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return. The profit recognised 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 Group has not entered into operating leases over Group assets.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Group is a lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Provision for impaired receivables

A credit risk provision for impairment of factoring receivables and finance lease receivables are established if there is objective evidence that the Group 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.

Receivables that cannot be recovered are written off and charged against the provision for impaired receivables. These 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 impaired factoring and leasing receivables for the period (Notes 6 and 7).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derivative financial instruments

Derivative financial instruments, including forward foreign exchange contracts and interest rate swaps are initially recognised in the balance sheet at their fair value and are subsequently remeasured at their fair value. Transaction costs that are directly attributable to the acquisition are expensed immediately. All derivative financial instruments are classified as held for trading. Certain derivative transactions, even though providing effective economic hedges under the Group's risk management position, do not qualify for hedge accounting under the specific rules in IAS 39 "Financial Instruments: Recognition and Measurement", and are therefore treated as derivatives held for trading with fair value gains and losses reported in income statement. Fair values are obtained from quoted market prices and discounted cash flow models as appropriate. Fair value of over-the-counter ("OTC") forward foreign exchange contracts is determined based on the comparison of the original forward rate with the forward rate calculated by reference to market interest rates of the related currency for the remaining period of the contract, discounted to 31 December 2009. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative (Note 8).

Discontinued operations and non-current assets (or disposal groups) held for sale

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and represents a separate major line of business or geographical area of operations. Discontinued operation is a part of a single co-ordinate plan to dispose of a separate major line of business or geographical area of operations; or is a subsidiary acquired exclusively with a view to resale. Net assets related with the discontinued operations are measured at fair value less cost to sell.

Investments

Investments are classified as i) the available-for-sale assets ii) held-to-maturity investments. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale. Investments, which have a certain and fixed return with a certain maturity date and which management has both the intent and the ability to hold to maturity are classified as held-to-maturity investments. Management determines the appropriate classification of its investments at the time of the purchase.

Investments are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of it. Available-for-sale investments are subsequently remeasured at fair value based on quoted bid prices, or amounts derived from cash flow models. Unrealised gains and losses arising from changes in the fair value of securities classified as available-for-sale are recognised in the equity, until the financial asset is derecognised or impaired at which time the cumulative gain or loss previously recognised in equity should be transferred to income statement. Unlisted equity securities for which fair values cannot be measured reliably are recognised at cost after deductions for any impairment (Note 10).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment

All property and equipment carried at cost, restated equivalent to purchasing power of TL at 31 December 2005, less depreciation. Depreciation is calculated on the restated amounts of property and equipment using the straight-line method to write-off the restated cost of each asset to their residual values over their estimated useful life as follows:

Buildings	50 years
Furniture and fixtures	5 - 6 years
Office equipment and motor vehicles	2 - 15 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, capitalised in exceptional cases if they result in an enlargement or substantial improvement of the respective assets.

Intangible assets

Intangible assets mainly comprise of rights and are carried at cost, restated equivalent to purchasing power of TL at 31 December 2005, less amortisation. Amortisation is calculated by using the straight-line method over their useful lives of 3 or 5 years.

Financial liabilities

Financial liabilities which consist of bank borrowings are recognised initially at fair value, net of transaction costs incurred. Subsequently, financial liabilities are measured at amortised cost and any difference between net proceeds and the redemption value is recognised in the 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).

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 financial information. 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 receivables, provision for legal proceedings and derivative financial instruments (Note 16).

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 Group. 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 Group 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. Provision 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.

Employment termination benefits

Employment termination benefits, as required by the Turkish Labour Law, are recognised in these consolidated financial statements as they are earned. The total provision represents the present value of the future probable obligation of the Group arising from the retirement of the employees (Note 18).

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 and other income and expenses are recognised on the accrual basis, except commissions for factoring services rendered which are recorded as income when received.

Finance income under finance leases represents the part of unearned income amortised over the lease term by applying a rate of return that is constant during the lease term. The unearned income represents the excess of total finance lease rental payments over the cost of the leased asset. Rate of return represents the discount rate of such rental payments to the cost of the leased asset at the lease commencement date.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Foreign currency transactions

Transactions denominated in foreign currencies are recorded in Turkish lira 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 currencies are recognised in the income statement.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Reporting of cash flows

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

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.

Comparatives

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year so that the reclassification will result in a more appropriate presentation of events or transactions.

Consolidated financial statements of the Group 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 information is changed, in order to maintain consistency, financial information of the prior periods are also reclassed in line with the related changes.

The following reclassifications are made in order to give comparative information on the financial position.

i) Customer excess payments amounting to TL242,958 classified as “Financial lease receivables” at 31 December 2008 is reclassified as “Other liabilities” (Note 17).

ii) Reserve for unused vacation amounting to TL24,757 classified as “Other liabilites” at 31 December 2008 is reclassified as “Employment benefit obligations” (Note 18).

iii) Foreign exchage rate effect on cash and cash equivalents amounting to TL430,540 in cash flow statement is illustrated in line “Effect of foreign exchange rate changes on cash and cash equivalents”.

iv) Interest income from overdue charges amounting to TL 448,311 classified as “Fee and commision income” at 31 December 2008 is illustrated as “Interest income from overdue charges” in the income statement.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT

Capital management

According to 23rd Article of "Regulation on the Establishment and Operations of Factoring, Leasing, and Consumer Finance Companies" which was published in the Offical Gazette dated 10 October 2006, total volume of factoring receivables granted by factoring companies cannot exceed 30 times of the statutory equity. As of 31 December 2009, total volume of factoring receivables granted by the Group is 1.41 times (2008: 1.62 times) of statutory equity.

Financial risk factors

The Group'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 Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group 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 Group's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

Geographical concentration of assets and liabilities at 31 December 2009 and 2008 is as follows:

31 December 2009	**Total assets**	**%**	**Total liabilities**	**%**
Turkey	189,160,014	97	21,205,972	28
Other European countries	303,934	1	-	-
Malta, Bahrain and other countries	4,702,860	2	55,348,285	72
	194,166,808	**100**	**76,554,257**	**100**

31 December 2008	**Total assets**	**%**	**Total liabilities**	**%**
Turkey	188,365,600	92	10,324,111	10
Other European countries	-	8	-	-
Malta, Bahrain and other countries	17,188,239	-	90,628,276	90
	205,553,839	**100**	**100,952,387**	**100**

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

Maximum exposure to credit risk

	2009	**2008**
Due from banks	6,078,654	29,621,613
Finance lease receivables, net	123,760,035	127,953,804
Factoring receivables, net	58,684,273	44,667,332
Other assets	1,015,888	1,569,412
	189,538,850	**203,812,161**

The above table represent a worse case scenario of credit risk exposure.

Market risk

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

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

Currency risk

Foreign currency denominated assets and liabilities give rise to foreign exchange exposure. Currency risk is monitored within the developments in foreign exchange markets. The Group invests in derivative financial instruments to match its assets and liabilities denominated in foreign currencies.

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

Currency risk (Continued)

	US$ Impact		**EUR Impact**	
	31 December 2009	**31 December 2008**	**31 December 2009**	**31 December 2008**
Profit and loss	±6,991,624	±5,721,543	±1,088,572	±1,700,103

Assets and liabilities denominated in foreign currency at 31 December 2009 and 2008 are as follows:

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

	Foreign Currency				
31 December 2009	**US$**	**EUR**	**Other**	**TL**	**Total**
Assets					
Cash and due from banks	4,996,827	580,517	-	501,310	6,078,654
Finance lease receivables, net	93,159,615	7,025,135	516,816	23,058,469	123,760,035
Factoring receivables, net	27,330,966	3,492,724	-	27,860,583	58,684,273
Asset held for sale	-	-	-	147,048	147,048
Available-for-sale investment securities	-	-	-	7,528	7,528
Other assets and prepaid expenses	70,725	5,015	-	940,148	1,015,888
Property and equipment	-	-	-	167,849	167,849
Intangible assets	-	-	-	14,436	14,436
Deferred tax asset	-	-	-	4,291,097	4,291,097
Total assets	**125,558,133**	**11,103,391**	**516,816**	**56,988,468**	**194,166,808**
Liabilities					
Borrowings and bonds issued	54,979,163	-	-	19,998,785	74,977,948
Accounts payable	-	4,899	-	135,060	139,959
Current tax liabilities	-	-	-	143,655	143,655
Derivative financial instruments	357,577	-	-	-	357,577
Other liabilities and accrued expenses	305,152	212,776	-	338,112	856,040
Employment benefit obligations	-	-	-	79,078	79,078
Total liabilities	**55,641,892**	**217,675**	**-**	**20,694,690**	**76,554,257**
Net balance sheet position	**69,916,241**	**10,885,716**	**516,816**	**36,293,778**	**117,612,551**
Off-balance sheet derivative instruments net notional position	**-**	-	-	-	-

At 31 December 2009, assets and liabilities denominated in foreign currency were translated into TL using a foreign exchange rate of TL2.1603 = EUR1 and TL1.5057 = US$1 (2008: TL2.1408 = EUR1 and TL1.5123= US$1).

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

	Foreign Currency				
31 December 2008	**US$**	**EUR**	**Other**	**TL**	**Total**
Assets					
Cash and due from banks	18,165,233	43,191	110	11,413,079	29,621,613
Finance lease receivables, net	105,208,152	13,464,241	-	9,281,411	127,953,804
Factoring receivables, net	11,537,981	3,496,410	-	29,632,941	44,667,332
Derivative financial instruments	564,487	-	-	-	564,487
Asset held for sale	-	-	-	74,016	74,016
Available-for-sale investment securities	-	-	-	9,742	9,742
Other assets and prepaid expenses	6,627	5,020	110	1,557,655	1,569,412
Property and equipment	-	-	-	245,627	245,627
Intangible assets	-	-	-	19,537	19,537
Deferred tax asset	-	-	-	828,269	828,269
Total assets	**135,482,480**	**17,008,862**	**220**	**53,062,277**	**205,553,839**
Liabilities					
Borrowings and bonds issued	82,531,524	-	-	15,192,516	97,724,040
Accounts payable	45,051	-	-	116,489	161,540
Current tax liabilities	-	-	-	161,439	161,439
Other liabilities and accrued expenses	1,739,678	7,828	-	1,066,719	2,814,225
Employment benefit obligations	-	-	-	91,143	91,143
Total liabilities	**84,316,253**	**7,828**	**-**	**16,628,306**	**100,952,387**
Net balance sheet position	**51,166,227**	**17,001,034**	**220**	**36,433,971**	**104,601,452**
Off-balance sheet derivative instruments net notional position	**6,049,200**	**-**	**-**	**(6,200,000)**	**(150,800)**

Interest rate risk

The Group is exposed to interest rate risk either through market value fluctuations of balance sheet items, i.e. price risk, or the impact of rate changes on interest-sensitive assets and liabilities. Interest rate risk is the key component of the Group's asset and liability management. Interest rate risk is managed on a portfolio basis by applying different strategies such as using natural hedges that arise from offsetting interest rate sensitive assets and liabilities, or building hedge relationships in order to minimise the effects of changes in interest rates. Special emphasis is given to providing a balance between the duration of assets and liabilities. Duration, gap and sensitivity analysis are the main methods used to manage the risks.

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

- profit for the period ended 31 December 2009 would decrease/ increase by TL599,551. This is mainly attributable to the Group's exposure to interest rates on its variable rate receivables and borrowings;

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

Interest rate risk **(Continued)**

The tables below summarises average effective interest rates by major currencies for monetary financial instruments at 31 December 2009 and 2008:

	31 December 2009			31 December 2008		
	US$ (%)	EUR (%)	TL (%)	US$ (%)	EUR (%)	TL (%)
Assets						
Cash and due from banks						
- time deposits	4.75	0.43	7.75	4.05	-	20.64
Factoring receivables, net	7.57	-	17.84	8.22	-	28.76
Finance lease receivables, net	10.11	13.65	29.90	10.78	12.28	27.49
Liabilities						
Borrowings	4.68	-	10.77	6.25	-	25.17
Bonds issued	-	-	16.15	-	-	-

The table below summaries the Group's exposure to interest rate risk on the basis of the remaining period at the balance sheet to the repricing or contractual dates whichever is earlier.

31 December 2009	Up to 3 months	3 to 12 months	1 year to 5 years	Non-interest bearing	Total
Assets					
Cash and due from banks	5,187,951	-	-	890,703	6,078,654
Finance lease receivables, net	22,216,110	8,903,601	76,705,875	15,934,449	123,760,035
Factoring receivables, net	33,025,525	18,007,627	7,761,623	(110,502)	58,684,273
Derivative financial instruments	-	-	-	-	-
Asset held for sale	-	-	-	147,048	147,048
Available-for-sale investment securities	-	-	-	7,528	7,528
Other assets and prepaid expenses	-	-	-	1,015,888	1,015,888
Property and equipment	-	-	-	167,849	167,849
Intangible assets	-	-	-	14,436	14,436
Deferred tax asset	-	-	-	4,291,097	4,291,097
Total assets	**60,429,586**	**26,911,228**	**84,467,498**	**22,358,496**	**194,166,808**
Liabilities					
Borrowings and bonds issued	11,500,427	59,402,521	4,075,000	-	74,977,948
Accounts payable	-	-	-	139,959	139,959
Current tax liabilities	-	-	-	143,655	143,655
Derivative financial instruments	-	357,577	-	-	357,577
Other liabilities and accrued expenses	-	-	-	856,040	856,040
Employment benefit obligations	-	-	-	79,078	79,078
Total liabilities	**11,500,427**	**59,760,098**	**4,075,000**	**1,218,732**	**76,554,257**
Net re-pricing gap	**48,929,159**	**(32,848,870)**	**80,392,498**	**21,139,764**	**117,612,551**
Derivative financial instruments held for trading					
Cash inflows	**-**	**1,448,197**	**-**	**-**	**1,448,197**
Cash outflows	**-**	**768,991**	**1,024,759**	**-**	**1,793,750**

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 2008	Up to 3 months	3 to 12 months	1 year to 5 years	Non-interest bearing	Total
Assets					
Cash and due from banks	3,393,559	25,454,242	-	773,812	29,621,613
Finance lease receivables, net	22,606,937	59,195,038	45,756,343	395,486	127,953,804
Factoring receivables, net	26,300,216	10,572,588	7,794,528	-	44,667,332
Derivative financial instruments	-	564,487	-	-	564,487
Asset held for sale	-	-	-	74,016	74,016
Available-for-sale investment securities	-	-	-	9,742	9,742
Other assets and prepaid expenses	-	-	-	1,569,412	1,569,412
Property and equipment	-	-	-	245,627	245,627
Intangible assets	-	-	-	19,537	19,537
Deferred tax asset	-	-	-	828,269	828,269
Total assets	**52,300,712**	**95,786,355**	**53,550,871**	**3,915,901**	**205,553,839**
Liabilities					
Borrowings and bonds issued	25,126,443	37,402,250	35,195,347	-	97,724,040
Accounts payable	-	-	-	161,540	161,540
Current tax liabilities	-	-	-	161,439	161,439
Other liabilities and accrued expenses	-	-	-	2,814,225	2,814,225
Employment benefit obligations	-	-	-	91,143	91,143
Total liabilities	**25,126,443**	**37,402,250**	**35,195,347**	**3,228,347**	**100,952,387**
Net re-pricing gap	**27,174,269**	**58,384,105**	**18,355,524**	**687,554**	**104,601,452**
Off-balance sheet derivative instruments net notional position	**-**	**(150,800)**	**-**	**-**	**(150,800)**

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 Group's short, medium and long-term funding and liquidity management requirements. The Group 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.

The following tables detail the Group's remaining contractual maturity for the Group'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 Group can be required to pay. The table includes both interest and principal cash flows.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

The table below analyses assets and liabilities of the Group into relevant maturity groupings at 31 December 2009 and 2008, based on the remaining period at the balance sheet date to the contractual maturity date.

31 December 2009	Demand and up to 3 months	3 to 12 months	Over 1 year	No definite maturity	Total
Assets					
Cash and due from banks	6,107,336	-	-	-	6,107,336
Finance lease receivables, net	3,837,160	20,093,908	109,553,209	15,934,449	149,418,726
Factoring receivables, net	33,059,001	18,007,627	7,761,623	127,892	58,956,143
Derivative financial instruments	-	-	-	-	-
Asset held for sale	-	-	-	147,048	147,048
Available-for-sale investment securities	-	-	-	7,528	7,528
Other assets and prepaid expenses	88,064	847,897	50,704	29,223	1,015,888
Property and equipment	-	-	-	167,849	167,849
Intangible assets	-	-	-	14,436	14,436
Deferred tax asset	-	-	4,291,097	-	4,291,097
Total assets	**43,091,561**	**38,949,432**	**121,656,633**	**16,428,425**	**220,126,051**
Liabilities					
Borrowings and bonds issued	11,846,554	35,739,014	32,365,519	-	79,951,087
Accounts payable	139,959	-	-	-	139,959
Current tax liabilities	143,655	-	-	-	143,655
Derivative financial instruments	-	357,577	-	-	357,577
Other liabilities and accrued expenses	596,075	-	-	259,965	856,040
Employment benefit obligations	-	-	79,078	-	79,078
Total liabilities	**12,726,243**	**36,096,591**	**32,444,597**	**259,965**	**81,527,396**
Net liquidity gap	**30,365,318**	**2,852,841**	**89,212,036**	**16,168,460**	**138,598,655**

Undiscounted cash flows from the derivative transactions entered into by the group is as follows:

	Demand and up to 3 months	3 to 12 months	Over 1 year	No definite maturity	Total
Inflows	-	231,051	1,217,146	-	1,448,197
Outflows	-	768,991	1,024,759	-	1,793,750

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

31 December 2008	Demand and up to 3 months	3 to 12 months	Over 1 year	No definite maturity	Total
Assets					
Cash and due from banks	4,169,106	26,548,054	-	-	30,717,160
Investment in direct finance leases	7,435,388	27,932,181	129,813,951	152,528	165,334,048
Factoring receivables, net	28,010,612	10,773,752	8,103,975	-	46,888,339
Derivative financial instruments	-	564,487	-	-	564,487
Asset held for sale	-	-	74,016	-	74,016
Available-for-sale investment securities	-	-	-	9,742	9,742
Other assets and prepaid expenses	149,338	512,889	727,153	180,032	1,569,412
Property and equipment	-	-	-	245,627	245,627
Intangible assets	-	-	-	19,537	19,537
Deferred tax asset	-	-	828,269	-	828,269
Total assets	**39,764,444**	**66,331,363**	**139,547,364**	**607,466**	**246,250,637**
Liabilities					
Borrowings and bonds issued	25,517,573	41,169,280	38,820,209	-	105,507,062
Accounts payable	161,540	-	-	-	161,540
Current tax liabilities	161,439	-	-	-	161,439
Other liabilities and accrued expenses	308,626	1,531,477	-	974,122	2,814,225
Employment benefit obligations	-	-	91,143	-	91,143
Total liabilities	**26,149,178**	**42,700,757**	**38,911,352**	**974,122**	**108,735,409**
Net liquidity gap	**13,615,266**	**23,630,606**	**100,636,012**	**(366,656)**	**137,515,228**

Undiscounted cash flows from the derivative transactions entered into by the group is as follows:

	Demand and up to 3 months	3 to 12 months	Over 1 year	No definite maturity	Total
Inflows	-	564,487	-	-	564,487
Outflows	-	-	-	-	-

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 various insurances are employed as main methods.

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

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

Fair value of financial instruments

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, if one exists.

The estimated fair values of financial instruments have been determined by the Group 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 Group could realise in a current market exchange.

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 and financial assets are considered to approximate their respective carrying values due to their short-term nature.

The fair value of factoring receivables and foreign currency options is also considered to approximate the carrying value due to their short-term nature.

The fair values of certain financial assets excluding finance lease receivables and borrowings are considered to approximate their respective carrying values due to their short-term nature.

The table below indicates the fair value of the financial assets which are measured at amortised cost in the balance sheet.

	Carrying amount		Fair value	
	2009	**2008**	**2009**	**2008**
Finance lease receivables	123,760,035	127,953,804	127,059,397	139,817,665
Borrowings	70,799,985	97,724,040	68,715,626	97,367,721
Bonds issued	4,177,963	-	4,091,618	-

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 observability of data used during fair value calculations. Classification for fair value is generated as followed 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

There are no significant transfers between Level 1 and Level 2 of the fair value hierarchy.

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

According to these classification principles stated, the Group's classification of financial assets and liabilities carried at their fair value are as follows:

2009

	Level 1	Level 2	Level 3
Trading derivative financial liabilities	-	357,577	-
Total liabilities	**-**	**357,577**	**-**

2008

	Level 1	Level 2	Level 3
Trading derivative financial assets	-	564,487	-
Total assets	**-**	**564,487**	**-**

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Preparation of financial information 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 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.

Allowance for impairment of finance lease and factoring receivables

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

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

NOTE 4 - CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

Fair value of derivatives

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair value Fair values of the derivative transactions are calculated based on a valuation technique which includes the use of discounted cash flow models which use observable market data. Accordingly, the fair values of the derivative transactions are classified under "fair value hierarchy two" according to the revised IFRS 7.All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Deferred income tax asset recognition

Deferred income tax assets are recorded to the extent that realisation of the related tax benefit is probable. The future taxable profits and the amount of tax benefits that are probable in the future are based on medium term business plan prepared by Management and extrapolated results thereafter. The business plan is based on Management expectations that are believed to be reasonable under the circumstances.

NOTE 5 - CASH AND DUE FROM BANKS

At 31 December 2009 and 2008 cash and due from banks comprised of the following:

	31 December 2009			31 December 2008		
	Foreign Currency	TL	Total	Foreign Currency	TL	Total
Cash in hand	-	765	765	-	1,040	1,040
Due from banks:	5,577,344	500,545	6,077,889	18,208,534	11,412,039	29,620,573
- demand deposits	634,999	254,939	889,938	423,777	348,995	772,772
- time deposits	4,942,345	245,606	5,187,951	17,784,757	11,063,044	28,847,801
	5,577,344	**501,310**	**6,078,654**	**18,208,534**	**11,413,079**	**29,621,613**

The Group has blocked deposits amounting TL4,539,100 against its borrowings as of 31 December 2009(2008: TL25,472,732).

For the purposes of the cash flow statement, cash and cash equivalents amounting to TL1,539,346 (2008: TL4,146,432) comprised from cash and due from banks excluding accrued interest.

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

NOTE 6 - FINANCE LEASE RECEIVABLES, NET

	31 December 2009	31 December 2008
Gross finance lease receivables	132,303,118	164,025,525
Invoiced lease receivables	1,075,545	1,155,995
Unearned finance income	(25,553,077)	(37,380,244)
	107,825,586	**127,801,276**
Impaired lease receivables	19,703,761	3,955,005
Less: allowance for impairment	(3,769,312)	(3,802,477)
Net finance lease receivables	**123,760,035**	**127,953,804**

At 31 December 2009 the finance lease receivables according to their interest type are as follows:

	31 December 2009	31 December 2008
Gross finance lease receivables:		
Fixed rate	117,773,664	78,593,184
Floating rate	14,529,454	85,432,341
	132,303,118	**164,025,525**

At 31 December 2009 and 2008 the leasing receivables have the following collection schedules:

	Finance Lease Receivables	
Year Ending	**Gross 31 December 2009**	**Net performing 31 December 2009**
31 December 2010	23,825,454	19,480,765
31 December 2011	31,015,529	18,366,759
31 December 2012	42,453,607	36,838,569
31 December 2013	24,718,969	22,263,590
31 December 2014 and after	11,365,104	10,875,903
	133,378,663	**107,825,586**

	Finance Lease Receivables	
Year Ending	**Gross 31 December 2008**	**Net performing 31 December 2008**
31 December 2009	35,367,569	22,213,107
31 December 2010	32,648,118	23,450,762
31 December 2011	38,595,825	30,510,700
31 December 2013	30,722,279	26,273,102
31 December 2013 and after	27,847,729	25,353,605
	165,181,520	**127,801,276**

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

NOTE 6 - FINANCE LEASE RECEIVABLES (Continued)

Finance lease receivables can be analysed as follows:

Year Ending	**31 December 2009**	**31 December 2008**
Neither past due nor impaired	106,750,041	126,645,281
Past due but not impaired	1,075,545	1,155,995
Impaired	19,703,761	3,955,005
Less: allowances for impairment	(3,769,312)	(3,802,477)
Net finance lease receivables	**123,760,035**	**127,953,804**

The total allowance for impairment for finance lease receivables at 31 December 2009 is TL3,769,312 (2008: TL3,802,477) of which TL2,117,535 (2008: TL2,107,892) represents the individually impaired loans and the remaining amount of TL1,651,777 (2008: TL1,694,585) represents the portfolio provision in the performing portfolio.

As at 31 December 2009 total collaterals taken from customers are amounting to TL13,230,915 (2008: TL2,948,156), TL16,487,223 (2008: TL17,719,453) of these collaterals are taken for impaired finance lease receivables.

The aging of past due but not impaired finance lease receivables at 31 December 2009 is as follows:

	31 December 2009	
	Invoiced Amount	**Remaining Principal Amount**
0-30 days	165,664	3,084,130
30-60 days	357,766	1,400,000
60-90 days	552,115	389,184
	1,075,545	**4,873,314**

The aging of past due but not impaired finance lease receivables at 31 December 2008 is as follows:

	31 December 2008	
	Invoiced Amount	**Remaining Principal Amount**
0-30 days	-	-
30-60 days	104,251	4,290,121
60-90 days	1,051,744	6,243,445
	1,155,995	**10,533,566**

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

NOTE 6 - FINANCE LEASE RECEIVABLES (Continued)

As at 31 December 2009 the aging of impaired finance lease receivables are as follows:

	31 December 2009		
	Invoiced Amount	**Remaining Principal Amount**	**Total**
90-150 days	105,614	-	105,614
151-240 days	192,166	340,035	426,587
241-360 days	3,972,101	7,298,094	11,270,195
1 year and over	1,447,319	6,454,046	7,901,365
	5,611,586	**14,092,175**	**19,703,761**

	31 December 2008		
	Invoiced Amount	**Remaining Principal Amount**	**Total**
90-150 days	-	-	-
151-240 days	194,172	338,508	532,680
241-360 days	169,181	888,867	1,058,048
1 year and over	2,019,084	345,193	2,364,277
	2,382,437	**1,572,568**	**3,955,005**

Movements in provision for impaired finance lease receivables for the period ended 31 December 2009 and 2008 are as follows:

	31 December 2009	**31 December 2008**
Balance at 1 January	3,802,477	816,337
Impairment expense during the period	845,186	3,346,757
Recoveries of amounts previously provided for (Note 22)	(878,351)	(360,617)
	3,769,312	**3,802,477**

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

NOTE 6 - FINANCE LEASE RECEIVABLES (Continued)

Economic sector risk concentrations for the gross finance lease receivables as of 31 December 2009 and 2008 are as follows:

	31 December 2009	%	31 December 2008	%
Financial Institutions	64,408,848	48	71,828,214	43
Forestry Products	19,318,291	12	22,374,906	14
Textile	12,951,793	10	17,539,676	10
Rubber Products	11,173,936	8	19,134,878	11
Food and beverage	7,003,658	5	10,546,852	6
Leather and leather products	4,065,091	3	6,657,876	4
Energy and natural sources	3,847,409	3	-	1
Construction	3,635,522	3	4,139,332	3
Other	3,288,743	3	1,445,257	1
Electicity, gas and water sources	2,512,171	2	4,375,822	3
Tourism	665,334	1	2,592,967	1
Motor vehicles and accessories	385,680	1	1,019,750	1
Machinery and metal industry	122,187	1	3,525,990	2
	133,378,663	**100**	**165,181,520**	**100**

Minimum financial lease receivables consist of rentals receivable over the terms of leases. As per the lease agreements made with lessees, the ownership of the items leased is transferred to the lessees at the end of the lease term.

Depending on the customers' inability to repay its obligations arising from financial leases or other similar economic factors, the Group cancelled some of the lease contracts signed with its customers. These related assets may be re-leased to the same customer or to the other customers or; may be sold to the third parties, depending upon circumstances.

The Group has no finance lease payables as at 31 December 2009 and 2008.

As of 31 December 2009 and 2008 the Group obtained the following collaterals from its customers except for the assets subject to finance lease, against their outstanding exposures:

	31 December 2009	31 December 2008
Mortgages	14,459,456	16,201,862
Pledged securities	3,050,000	1,517,591
	17,509,456	**17,719,453**

As of 31 December 2009 the Group has 39 (2008: 23) mortgages with first degree amounting to a total of TL69,373,671 (2008: TL64,895,075) related with the finance lease receivables amounting to TL24,083,580 (2008: TL33,134,703).

Finance lease receivables are further analysed as a part of the balance sheet in the notes: related party transactions (Note 25) and financial risk management (Note 3).

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

NOTE 7 - FACTORING RECEIVABLES, NET

	31 December 2009	31 December 2008
Domestic transactions	47,492,302	44,111,144
Export transactions	11,502,816	977,565
Less: unearned revenue	(438,737)	(280,759)
Gross factoring receivables	**58,556,381**	**44,807,950**
Impaired factoring receivables	6,635,275	2,421,926
Less: allowance for impairment	(6,507,383)	(2,562,544)
Factoring receivables, net	**58,684,273**	**44,667,332**

Unearned revenue represents advance collections of factoring fees, recognised on pro-rata basis over the term of the collection of factoring receivables.

At 31 December 2009, TL273,115 (2008: TL555,718) of export factoring receivables, net is irrevocable. In addition, irrevocable transactions amounting to TL299,621 are recognised under off-balance sheet accounts at 31 December 2009 (2008: TL1,108,773).

	31 December 2009	31 December 2008
Factoring receivables:		
Fixed rate	25,762,733	13,892,731
Floating rate	39,867,660	33,617,904
	65,630,393	**47,510,635**

Maturity analysis of the factoring receivables are as follows:

	31 December 2009	31 December 2008
Up to 1 month	8,048,171	10,462,958
1 month to 3 month	26,139,593	15,837,258
3 month to 1 year	18,007,627	10,572,588
1 year and over	6,488,882	7,794,528
	58,684,273	**44,667,332**

Factoring receivables can be analysed as follows:

	31 December 2009	31 December 2008
Neither past due nor impaired	58,320,757	42,458,652
Past due but not impaired	235,624	2,349,298
Impaired	6,635,275	2,421,926
Gross	**65,191,656**	**47,229,876**
Less: allowances for impairment	(6,507,383)	(2,562,544)
Net factoring receivables	**58,684,273**	**44,667,332**

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

NOTE 7 - FACTORING RECEIVABLES, NET (Continued)

The total allowance for impairment for factoring receivables at 31 December 2009 is TL6,507,383 (2008: TL2,562,544) of which TL5,234,642 (2008: TL1,921,926) represents the individually impaired loans and the remaining amount of TL1,272,741 (2008: TL640,618) represents the portfolio provision in the performing portfolio.

Factoring receivables past due but not impaired are as follows:

	31 December 2009	**31 December 2008**
Past due up to 30 days	200,000	1,886,985
Past due 30-90 days	35,624	462,313
	235,624	**2,349,298**

Examples of exposures designated past due but not considered impaired include factoring receivables fully secured by cash collateral, mortgages past due for technical reasons such as delays in documentation, but where is no concern over the creditworthiness of the counterparty.

Aging analysis of the impaired factoring receivables are as follows:

	31 December 2009	**31 December 2008**
3 month to 1 year	515,408	1,603,686
1 year and over	6,119,867	818,240
	6,635,275	**2,421,926**

Movements in the provision for impaired factoring receivables during the year are as follows:

	31 December 2009	**31 December 2008**
Balance at 1 January	**2,562,544**	**1,745,585**
Charge for the year	4,272,968	1,744,304
Recoveries of amounts previously provided (Note 22)	(328,129)	(20,326)
Write-off	-	(907,019)
Balance at 30 December	**6,507,383**	**2,562,544**

Restructuring activities include extended payment arrangements, approved external management plans, modification and deferral of payments. Renegotiated factoring receivables that would otherwise be past due or impaired amounts to TL8,269,093 at 31 December 2009 (2008: TL1,192,789).

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

NOTE 7 - FACTORING RECEIVABLES, NET (Continued)

As of 31 December 2009 and 2008 the Group obtained the following collaterals from its customers against their outstanding exposures:

	31 December 2009	31 December 2008
Cheques and notes received	48,956,371	30,591,308
Guarantee cheques and notes received	12,500,000	11,620,016
Mortgages	32,893,025	17,855,600
	94,349,396	**60,066,924**

As of 31 December 2009 the Group has the following mortgages related with the factoring receivables amounting to TL32,893,025 (2008: TL26,860,175). The fair value of those mortgages amounts to TL47,514,432 (2008: TL41,481,582).

Degree of mortgage	Mortgage amount
1	2,000,000
2	12,360,175
3	18,532,850

Economic sector risk concentrations of gross factoring receivables (after adding back uneamed revenue and impaired factoring receivables) are as follows:

	31 December 2009	%	31 December 2008	%
Electricity and water resources	19,317,435	29	7,833,132	16
Textile	11,040,679	17	6,180,446	12
Sport activities	10,259,793	16	8,013,445	17
Furniture industry	9,722,824	15	8,774,210	18
Sea transportation	6,702,047	10	-	-
Manufacturing	1,272,589	2	268,979	1
Industrial	836,463	1	2,248,614	5
Services	714,185	1	1,769,018	4
Automotive	493,414	1	1,478,440	3
Petroleum and nuclear recourses	465,506	1	3,701,519	8
Construction	311,154	-	2,655,960	6
Forestry Products	28,046	-	1,446,199	3
Other	4,466,257	7	3,140,672	7
	65,630,393	**100**	**47,510,635**	**100**

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

NOTE 8 - DERIVATIVE FINANCIAL INSTRUMENTS

The breakdown of notional amounts of derivative financial instruments at 31 December 2009 and 2008 is as follows:

	Contract/notional amount	Fair values Assets	Fair values (Liabilities)
2009			
Interest rate derivatives			
Swap agreement	30,661,527	-	(357,577)
	30,661,527	**-**	**(357,577)**
2008			
Foreign exchange derivatives			
Currency option contract	6,049,200	564,487	-
	6,049,200	**564,487**	**-**

Derivative financial instruments are further analysed as a part of the balance sheet in the notes: commitments and contingent liabilities (Note 26) and financial risk management (Note 3).

NOTE 9 - ASSET HELD FOR SALE

	31 December 2009	31 December 2008
Repossessed Colleterals - Land	147,048	74,016

At 31 December 2009 and 2008 asset held for sale comprised of the tangible asset obtained against delinquent receivables.

NOTE 10 - AVAILABLE FOR SALE SECURITIES

Available for sale securities at 31 December 2009 and 2008 are set out below:

	31 December 2009		31 December 2008	
	Share %	TL	Share %	TL
Çukurova Havacılık A.Ş.	0.03	7,528	0.03	7,528
Yapı Kredi Yatırım Menkul Değerler A.Ş.	-	-	0.01	2,214
		7,528		**9,742**

Shares of Yapı Kredi Yatırım Menkul Değerler A.Ş. was sold amounting to TL6,500 at 17 March 2009.

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

NOTE 11 - BORROWINGS AND BONDS ISSUED

a) Bank Borrowings:

Borrowings at 31 December 2009 and 2008 are set out below according to their currencies:

		31 December 2009			31 December 2008		
		Effective Interest %	Original Currency	TL	Effective Interest %	Original Currency	TL
Domestic banks							
Fixed rates							
	TL	10.77	15,820,822	15,820,822	25.17	15,192,516	15,192,516
	US$	7.41	13,241,294	19,937,417	6.25	25,473,216	38,523,145
Floating rates							
	US$	Libor+0.43	23,282,443	35,041,746	Libor+1.81	29,100,297	44,008,379
				70,799,985			**97,724,040**

As of 31 December 2009, borrowings amounted to TL54,857,140 were obtained from foreign branches of Turkish banks (2008: TL85,862,337).

The maturity analysis of the bank borrowings is as follows:

	31 December 2009	31 December 2008
0 - 1 year	44,518,674	62,528,693
1 - 2 years	8,760,437	8,798,837
2 - 3 years	8,760,437	8,798,837
3 - 4 years	8,760,437	8,798,837
4 - 5 years	-	8,798,836
	70,799,985	**97,724,040**

b) Bond Issued

Bond issued:	**31 December 2009**	**31 December 2008**
Long term bond issued	4,075,000	-
Accrued interest payable	102,963	-
Total bills issued	**4,177,963**	**-**

Bonds issued as at 31 December 2009 consist of the private commercial financing bonds issued by the Group on 28 May 2009 according to the Board of Directors decisions dated 18 February 2009, with nominal value of TL20,000,000, with a maturity of 24 months, yearly coupon payments at gross interest rate of 19% pursuant to to the Capital Markets Board approval dated 21 May 2009 in accordance with Capital Markets Law numbered 2499. At 19 August 2009, the Board of Directors decided to issue two private commercial bonds each of which has a notional amount of TL20,000,000 (TL10,000,000 of each in two separate arrangement), maturity of 2 years and yearly coupon payments at the interest rate of 13.30%. The bond issued amounting TL35,925,000 have been sold to Pamuk Finansal Kiralama A.Ş, the subsidiary of the Pamuk Factoring A.Ş. and the remaining amount have been sold to Group's related parties since the transaction is performed within the Group, the balance amounting TL35,925,000 and its accrual are eliminated in the consolidation process.

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

NOTE 12 - ACCOUNTS PAYABLE

Accounts payable mainly consist of investment purchases which are subject to financial leases from suppliers regarding the financial leasing agreements. Accounts payable with respect to new financial leasing agreements at 31 December 2009 amount to TL139,959 (2008: TL161,540).

NOTE 13 - OTHER ASSETS AND PREPAID EXPENSES

	31 December 2009	**31 December 2008**
Equipments to be leased	456,590	-
Prepaid expenses	391,307	425,935
Advances given	50,704	136,953
Prepaid taxes and funds	29,652	81,098
Insurance receivables	58,412	68,240
Deferred VAT	-	677,153
Other	29,223	180,033
	1,015,888	**1,569,412**

NOTE 14 - PROPERTY AND EQUIPMENT

Movement for property, plant and equipment and related depreciation for period ended 31 December are as follows:

	1 January 2009	**Additions**	**Disposals**	**31 December 2009**
Cost				
Buildings	18,829	-	-	18,829
Motor vehicles	359,455	-	-	359,455
Furniture and fixtures	737,140	7,215	(5,704)	738,651
Leasehold improvements	356,842	-	-	356,842
Total cost	**1,472,266**	**7,215**	**(5,704)**	**1,473,777**
Accumulated depreciation				
Buildings	(2,793)	(377)	-	(3,170)
Motor vehicles	(152,183)	(65,818)	-	(218,001)
Furniture and fixtures	(715,406)	(17,114)	4,280	(728,240)
Leasehold improvements	(356,257)	(260)	-	(356,517)
Total accumulated depreciation	**(1,226,639)**	**(83,569)**	**4,280**	**(1,305,928)**
Net book value	**245,627**			**167,849**

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

NOTE 14 - PROPERTY AND EQUIPMENT (Continued)

	1 January 2008	Additions	Disposals	31 December 2008
Cost				
Land	10,950	-	(10,950)	-
Buildings	21,845	-	(3,016)	18,829
Motor vehicles	261,130	98,325	-	359,455
Furniture and fixtures	731,749	5,391	-	737,140
Leasehold improvements	356,842	-	-	356,842
Total cost	**1,382,516**	**103,716**	**(13,966)**	**1,472,266**
Accumulated depreciation				
Buildings	(2,708)	(397)	312	(2,793)
Motor vehicles	(95,148)	(57,035)	-	(152,183)
Furniture and fixtures	(691,961)	(23,445)	-	(715,406)
Leasehold improvements	(355,997)	(260)	-	(356,257)
Total accumulated depreciation	**(1,145,814)**	**(81,137)**	**312**	**(1,226,639)**
Net book value	**236,702**			**245,627**

NOTE 15 - INTANGIBLE ASSETS

Movement for intangible assets and related amortisation for the period ended 31 December are as follows:

	1 January 2009	Additions	Disposals	31 December 2009
Cost				
Software	1,056,165	-	-	1,056,165
Accumulated amortisation				
Software	(1,036,628)	(5,101)	-	(1,041,729)
Net book value	**19,537**			**14,436**

	1 January 2008	Additions	Disposals	31 December 2008
Cost				
Software	1,039,815	16,350	-	1,056,165
Accumulated amortisation				
Software	(1,026,669)	(9,959)	-	(1,036,628)
Net book value	**13,146**			**19,537**

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

NOTE 16 - TAXATION

	31 December 2009	31 December 2008
Income taxes currently payable	-	-
Prepaid taxes	(29,652)	(81,098)
Income taxes payable	**(29,652)**	**(81,098)**
Deferred tax asset	4,291,888	941,164
Deferred tax liability	(791)	(112,895)
Deferred tax asset, net	**4,291,097**	**828,269**

The taxation on income for the period ended 31 December are summarised as follows:

	31 December 2009	31 December 2008
Current tax expense	-	-
Deferred tax income	3,462,828	773,288
Taxation income	**3,462,828**	**773,288**

Corporate Tax Law has been altered by Law No: 5520 on 13 June 2006. Although the new Corporate Tax Law No: 5520, has become effective on 21 June 2006, many of its articles have become effective retrospectively starting from 1 January 2006. Accordingly, the corporation tax rate of the fiscal year 2009 is 20% (30% if the entity elects to use investment incentive exception) (2008: 20%). Corporation tax is payable at a rate of 20% on the total income of the Group after adjusting for certain disallowable expenses, corporate income tax exemptions (participation exemption, investment allowance, etc) and corporate income tax deductions (like research and development expenditures deduction). No further tax is payable unless the profit is distributed (except withholding tax at the rate of 19,8% on the investment incentive allowance utilised within the scope of the Income Tax Law Transitional Article 61).

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 20% on their corporate income. Advance tax is payable by the 17th of the second month following each calendar quarter end. Advance tax paid by corporations is credited against the annual corporation tax liability. The balance of the advance tax paid may be refunded or used to set off against other liabilities to the government.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate.

Tax returns are open for 5 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.

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

NOTE 16 - TAXATION (Continued)

Due to investment allowances and previous year's losses of the Group that are considered as deductions from taxable income, the Group did not pay any corporate tax in 2009 and 2008.

	31 December 2009	31 December 2008
Profit before tax	9,548,271	18,763,246
Disallowable expenses and other additions	5,531,476	6,346,318
Tax-exempt income	(2,177,895)	(1,275,373)
Tax base	12,901,852	23,834,191
Tax credit	(43,142,013)	(72,621,583)
Current year tax charge	**-**	**-**

Deferred taxes

Deferred income taxes are calculated on temporary differences that are expected to be realised or settled based on the taxable income in following years under the liability method using a principal tax rate of 20% at 31 December 2009. With the enactment of the Corporate Tax Law numbered 5520, an amendment has been brought to the application of tax exemption of gains from sale of immovable and participations. According to the amendment, 75% of gains from sale of immovable and participations which have been carried at least two years in the financial information of the Group are exempt from taxation. The remaining portion will subject to corporate tax rate of 20%. The temporary differences giving rise to the deferred income tax assets and the deferred tax liabilities are as follows:

	Cumulative temporary differences		Deferred tax assets/(liabilities)	
	2009	**2008**	**2009**	**2008**
Unused investment allowances	17,035,387	-	3,407,077	-
Specific provision for leasing receivables	2,059,185	1,715,665	411,837	343,133
Portfolio provision for leasing receivables	1,651,777	1,694,585	330,355	338,917
Provision for legal proceedings	259,965	974,122	51,993	194,824
Provision for employment termination benefits	50,437	66,386	10,087	13,278
Provision for personnel vacation	28,641	24,757	5,728	4,952
Difference between carrying value tax base of property and equipment	16,483	156	3,296	31
Income accrual on derivative instruments	357,577	-	71,515	-
Other	-	230,143	-	46,029
Deferred tax asset			**4,291,888**	**941,164**
Expense accrual on derivative instruments	-	(564,487)	-	(112,895)
IAS 39 effect on Bonds	(3,947)	-	(791)	-
Deferred tax liability			**(791)**	**(112,895)**
Deferred tax asset, net			**4,291,097**	**828,269**

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

NOTE 17 - OTHER LIABILITIES AND ACCRUED EXPENSES

	31 December 2009	31 December 2008
Customer excess payments	574,272	242,958
Provision for pending legal cases	259,965	974,122
Commissions payable	11,545	19,174
Notes payable	-	1,512,300
Other	10,258	65,671
	856,040	**2,814,225**

NOTE 18 - EMPLOYMENT BENEFIT OBLIGATIONS

	31 December 2009	31 December 2008
Employment Benefit Obligations:		
Reserve for employment termination benefits	45,810	66,386
Reserve for unused vacation	33,268	24,757
	79,078	**91,143**

Reserve for employment termination benefits

Under the Turkish Labour Law, the Group 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 TL2,365.16 (2008: TL2,173.19) 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 Group 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 31 December 2009 and 2008:

	2009	2008
Discount rate (%)	5.92	6.26
Turnover rate to estimate the probability of retirement (%)	15	11

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 TL2,427.04 (1 January 2009: TL2,260.05) which is effective from 1 July 2009 has been taken into consideration in calculating the provision for employment termination benefits of the Group.

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

NOTE 18 - EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

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

	2009	2008
1 January	**66,386**	**149,518**
Paid during the year	(62,585)	(129,957)
Increase during the year (Note 23)	42,009	46,825
Balance at 31 December	**45,810**	**66,386**

NOTE 19 - SHARE CAPITAL

	31 December 2009		31 December 2008	
	Share (%)	**TL**	**Share (%)**	**TL**
Karadeniz Holding A.Ş.	100	49,999,996	100	49,999,996
Süheyla Karadeniz	-	1	-	1
Osman Murat Karadeniz	-	1	-	1
Orhan Remzi Karadeniz	-	1	-	1
Ayşegül Karadeniz	-	1	-	1
Historical share capital	100	50,000,000	100	50,000,000
Adjustment to share capital		6,440,321		6,440,321
Total paid-in share capital		**56,440,321**		**56,440,321**

98.45% of Karadeniz Holding A.Ş. shares are pledged as collateral for loans utilised by Karadeniz Holding A.Ş.

NOTE 20 - RETAINED EARNINGS AND LEGAL RESERVES

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). Then TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's paid-in share capital. The second legal reserve is appropriated at the 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 31 December 2009 and 2008 reserves held by the Group in the statutory financial information which were adjusted for the effects of inflation in accordance with tax law is as follows:

	31 December 2009	31 December 2008
Legal reserves	5,672,340	5,672,340

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

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

NOTE 21 - FEE AND COMMISSION INCOME/ (EXPENSE)

	31 December 2009	31 December 2008
Fee and commission income on:		
Factoring commission	756,933	744,757
Leasing commission	645,277	356,944
Asset transfer income	24,005	32,506
Insurance intermediary	2,287	2,228
Other	15,705	-
	1,444,207	**1,136,435**
Fee and commission expense on:		
Correspondent commission expense	(28,042)	(21,254)
Other	(23,565)	(1,677)
	(51,607)	**(22,931)**
Net fee and commission income	**1,392,600**	**1,113,504**

NOTE 22 - OTHER OPERATING INCOME, NET

	31 December 2009	31 December 2008
Reversal of legal provision	916,030	-
Collections from doubtful receivables (Note 6 and 7)	1,206,480	380,943
Transaction expenses charged to customers	58,207	107,866
Subsidiary sale income	4,382	-
Fixed asset sale income	101,467	242,849
Other	331,255	101,212
Other operating income	**2,617,821**	**832,870**
Provisions for legal cases	(201,797)	(974,122)
Bank charges	(324,174)	(251,914)
Disallowable expenses	(86,062)	(178,378)
Other	(6,824)	(249,185)
Other operating expenses	**(618,857)**	**(1,653,599)**
Other operating income/(expense), net	**1,998,964**	**(820,729)**

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

NOTE 23 - OPERATING EXPENSES

	31 December 2009	31 December 2008
Personnel expenses	2,065,563	2,113,476
Advisory and legal service expenses	449,369	562,435
Office expenses	279,770	308,458
Taxation	384,236	266,103
Rent expenses	244,910	223,273
Motor vehicle expenses	217,350	134,604
Legal expenses	269,442	128,472
Depreciation and amortisation (Note 14 and 15)	88,670	91,096
Employment termination benefit expense (Note 18)	42,009	46,825
Other	68,227	72,611
	4,109,546	**3,947,353**

NOTE 24 - SEGMENT REPORTING

As the Group's segment operations are all financial with a majority of revenues deriving from interest and the Group Executive Board relies primarily on net interest revenue to assess the performance of the segment, the total interest income and expense for all reportable segments is presented on a net basis.

There were no changes in the reportable segments during the year.

The information provided about each segment is based on the internal reports about segment profit or loss, assets and other information, which are regularly reviewed by the Group Executive Board.

The Group has chosen business segments as the Group's primary segment reporting format. The Group manages its business through two strategic business units: Finance lease and Factoring. Chief Operating Decision Maker manages segment performance based on IFRS consolidated figures.

Segment assets and liabilities comprise operating assets and liabilities, being the majority of the consolidated statement of financial position, but exclude items such as taxation.

The segment information provided to the Group Executive Board for the reportable segments for the year ended 31 December 2009 is as follows:

31 December 2009

	Leasing	Factoring	Eliminations	Total
Assets	173,019,393	129,131,377	(107,983,962)	194,166,808
Liabilities	40,709,398	74,407,777	(38,562,918)	76,554,257
Net profit for the year	17,239,062	(4,140,705)	(87,258)	13,011,099

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

NOTE 24 - SEGMENT REPORTING (Continued)

Income statement by segment as of 31 December 2009

	Leasing	Factoring	Eliminations	Total
Interest income from direct finance leases	13,633,974	-	-	13,633,974
Factoring interest income	-	7,988,878	-	7,988,878
Interest income on placements and transactions with banks	4,043,960	118,434	(2,508,596)	1,653,798
Interest income from overdue charges	812,644	142,692	(133,746)	821,590
Interest income	**18,490,578**	**8,250,004**	**(2,642,342)**	**24,098,240**
Interest expense on borrowings	(1,927,425)	(7,155,398)	2,533,270	(6,549,553)
Interest expense from derivative financial instruments	(1,357,033)	-	-	(1,357,033)
Interest expense	**(3,284,458)**	**(7,155,398)**	**2,533,270**	**(7,906,586)**
Net interest income	**15,206,120**	**1,094,606**	**(109,072)**	**16,191,654**
Fee and commission income	687,274	1,183,955	(427,022)	1,444,207
Fee and commission expense	(448,373)	(30,256)	427,022	(51,607)
Net fee and commission income	**238,901**	**1,153,699**	**-**	**1,392,600**
Foreign exchange gains and losses, net	(458,921)	(348,326)		(807,247)
Impairment loss on finance lease & factoring receivables	(845,186)	(4,272,968)		(5,118,154)
Other operating (expense)/income, net	1,761,117	237,847		1,998,964
Operating income	**15,902,031**	**(2,135,142)**	**(109,072)**	**13,657,817**
Operating expenses	(2,004,030)	(2,105,516)		(4,109,546)
Profit before income taxes	**13,898,001**	**(4,240,658)**	**(109,072)**	**9,548,271**
Taxation on income	3,341,061	99,953	21,814	3,462,828
Net profit for the year	**17,239,062**	**(4,140,705)**	**(87,258)**	**13,011,099**

	Leasing	Factoring	Eliminations	Total
Purchase of property and equipment	3,907	3,308	-	7,215
Depreciation and amortisation	(61,628)	(27,042)	-	(88,670)

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

NOTE 24 - SEGMENT REPORTING (Continued)

31 December 2008

	Leasing	Factoring	Eliminations	Total
Assets	163,658,357	118,925,746	(77,030,264)	205,553,839
Liabilities	48,587,424	60,061,441	(7,696,478)	100,952,387
Net profit for the year	26,737,833	(7,201,299)	-	19,536,534

	Leasing	Factoring	Eliminations	Total
Interest income from direct finance leases	13,985,370	-	-	13,985,370
Factoring interest income	-	7,129,314	-	7,129,314
Interest income on placements and transactions with banks	3,084,967	275,837	-	3,360,804
Interest income from overdue charges	312,136	136,175	-	448,311
Interest income	**17,382,473**	**7,541,326**	**-**	**24,923,799**
Interest expense on borrowings	(3,695,874)	(4,182,851)	-	(7,878,725)
Interest expense from derivative financial instruments	-	(770,260)	-	(770,260)
Interest expense	**(3,695,874)**	**(4,953,111)**	**-**	**(8,648,985)**
Net interest income	**13,686,599**	**2,588,215**	**-**	**16,274,814**
Fee and commission income	391,678	744,757		1,136,435
Fee and commission expense	-	(22,931)		(22,931)
Net fee and commission income	**391,678**	**721,826**	**-**	**1,113,504**
Foreign exchange gains and losses, net	17,957,926	(6,723,855)	-	11,234,071
Impairment loss on finance lease & factoring receivables	(3,346,757)	(1,744,304)	-	(5,091,061)
Other operating (expense)/income, net	(657,035)	(163,694)	-	(820,729)
Operating income	**28,032,411**	**(5,321,812)**	**-**	**22,710,599**
Operating expenses	(2,186,293)	(1,761,060)	-	(3,947,353)
Profit before income taxes	**25,846,118**	**(7,082,872)**	**-**	**18,763,246**
Taxation on income	891,715	(118,427)	-	773,288
Net profit for the year	**26,737,833**	**(7,201,299)**	**-**	**19,536,534**

	Leasing	Factoring	Eliminations	Total
Purchase of property and equipment	90,825	29,241	-	120,066
Depreciation and amortisation	(61,159)	(29,937)	-	(91,096)

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

NOTE 25 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

a) Balances with related parties

	31 December 2009	31 December 2008
Factoring receivables		
Kartet Karadeniz Toptan Elektrik Ticaret A.Ş.	10,744,017	-
Karkey Karadeniz Elektrik Üretim A.Ş	5,916,150	6,574,356
Karadeniz Emtia Yönetimi İç ve Dış Ticaret A.Ş.	3,828,454	1,935,260
İdil Enerji Sanayi ve Ticaret A.Ş.	559,213	-
Karege Karadeniz Ege Elektrik Üretim A.Ş.	-	735,711
Other	-	112
	21,047,834	**9,245,439**
Net finance lease receivables		
Pamuk Gayrimenkul Yatırımlar Ticaret A.Ş.	55,546,131	52,661,884
Karmine Karadeniz Madencilik Ve Dış Tic. A.Ş.	2,585,452	-
Karkey Karadeniz Elektrik Üretim A.Ş.	2,419,692	3,800,716
Kares Karadeniz Enerji Servis Ve Mak.Tic. A.Ş.	184,280	-
Reform Kurumsal Danışmanlık ve Yönetim Hizmetleri A.Ş	-	104,901
	60,735,555	**56,567,501**
Other Receivables		
Kares Karadeniz Enerji Servis ve Mak. Tic. A.Ş.	369,800	-
Reform Kurumsal Danışmanlık ve Yönetim Hizmetleri A.Ş.	130,000	130,000
	499,800	**130,000**
Other Payables		
Pamuk Gayrimenkul Yatırımlar Ticaret A.Ş.	88,936	66,986
Karadeniz Holding A.Ş.	22,785	37,256
Reform Kurumsal Danışmanlık ve Yönetim Hizmetleri A.Ş	-	23,600
Other	-	7,308
	111,721	**135,150**
Bonds issued		
Eti Yatırım A.Ş.	2,409,377	-
DEBİ Enerji Elektrik Üretim Dağıtım A.Ş.	1,614,796	-
Karadeniz Ege Elektrik Üretimi A.Ş.	153,790	-
	4,177,963	**-**

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

NOTE 25 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

b) Transactions with related parties

	31 December 2009	31 December 2008
Discounting charge		
Karadeniz Emtia Yönetimi İç ve Dış Ticaret A.Ş.	1,075,576	247,047
Karkey Karadeniz Elektrik Üretim A.Ş.	539,985	944,344
Karege Karadeniz Ege Elektrik Üretim A.Ş.	90,868	66,815
İdil Enerji Sanayi ve Ticaret A.Ş	44,309	4,717
Kartet Karadeniz Toptan Elektrik Ticaret A.Ş.	41,422	203,683
Karyat Karadeniz Yatçılık A.Ş.	9,266	-
	1,801,426	**1,466,606**
Interest income from direct finance leases		
Pamuk Gayrimenkul Yatırımlar Ticaret A.Ş.	3,580,240	2,244,459
Karkey Karadeniz Elektrik A.Ş	335,145	451,798
Karmine Karadeniz Madencilik Ve Dış Tic. A.Ş.	164,861	-
Other	8,925	6,220
	4,089,171	**2,702,477**
Factoring commission income		
Karkey Karadeniz Elektrik Üretim A.Ş.	28,673	26,525
Kartet Karadeniz Toptan Elektrik Ticaret A.Ş.	26,556	35,650
Karadeniz Emtia Yönetimi İç ve Dış Ticaret A.Ş.	15,352	7,070
Karege Karadeniz Ege Elektrik Üretim A.Ş.	9,180	12,980
Other	1,788	431
	81,549	**82,656**
Other income		
Pamuk Gayrimenkul Yatırımlar Ticaret A.Ş.	182,185	14,526
Karmine Karadeniz Madencilik Ve Dış Tic. A.Ş.	75,000	-
Karmarine Karadeniz Denizcilik Ve Tic. A.Ş.	25,398	-
Karkey Karadeniz Elektrik A.Ş	18,251	17,660
Other	24,789	642
	325,623	**32,828**
General administration expenses		
Pamuk Gayrimenkul Yatırımlar Ticaret A.Ş.	373,073	399,300
Reform Kurumsal Danışmanlık ve Yönetim Hizmetleri A.Ş	135,000	246,010
Karadeniz Holding A.Ş.	18,140	70,035
Denizcilik Holding A.Ş	2,275	69,783
	528,488	**785,128**

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

NOTE 25 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

	31 December 2009	31 December 2008
Benefits to the Board and key management		
Benefits to the Board and key management	223,103	295,117

The Group defined its key management personnel as general manager.

Compensation of key management personnel includes gross salary and bonus premium.

NOTE 26 - COMMITMENTS AND CONTINGENT LIABILITIES

Guarantees received	31 December 2009	31 December 2008
Mortgages	47,352,481	34,057,462
Pledged securities (Note 6)	3,050,000	1,517,591
	50,402,481	**35,575,053**

Guarantees given	31 December 2009	31 December 2008
Mortgages	219,954,930	62,911,680
Guarantees	28,057,000	30,184,500
Blocked deposits (Note 5)	4,539,100	25,472,732
Guarantee letters	231,337	154,565
	252,782,367	**118,723,477**

Derivative financial instruments, are initially recognised in the balance sheet at their fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value.

Commitments under derivative instruments

	31 December 2009		31 December 2008	
	Interest rate	**TL**	**Interest rate**	**TL**
Interest rate swap purchases				
US$	Libor + 2.7	30,661,527	-	-
		30,661,527		**-**
Interest rate swap sales				
US$	5.01	(30,661,527)	-	-
		(30,661,527)		**-**

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

NOTE 26 - COMMITMENTS AND CONTINGENT LIABILITIES (Continued)

At 31 December 2008 details of call option agreements are as follows:

Purchase Date	Agreement Type	Amount	Maturity	Exercise Price	Premium
30 October 2008	US$ call option	2,000,000	3 August 2009	1.55	11.96%
30 October 2008	US$ call option	2,000,000	3 August 2009	1.55	12.30%

NOTE 27 - SUBSEQUENT EVENTS

None.

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