

**TEK FAKTORİNG HİZMETLERİ
ANONİM ŞİRKETİ**

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2006

**TEK FAKTORİNG HİZMETLERİ
ANONİM ŞİRKETİ**

INDEPENDENT AUDITORS' REPORT

**To the Board of Directors of
TEK Faktoring Hizmetleri A.Ş.**

We have audited the accompanying consolidated financial statements of TEK Faktoring Hizmetleri A.Ş. (the "Company"), which comprise the balance sheet as at 31 December 2006, and the 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

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

Auditor's Responsibility

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

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

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

Opinion

As explained in note 3 in detail, the Company ceased the application of restatement pursuant to IAS 29 (Financial Reporting in Hyperinflationary Economies) effective from 1 January 2005. If the Company had applied IAS 29, the total assets, total equity and net profit would be TRY 17,784,354 TRY 5,549,157 and TRY 854,496 respectively in 2005.

In our opinion, except for the effects of the matters set out in the paragraph above, the financial statements give a true and fair view of the financial position of the Company as of 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

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

İstanbul, 6 April 2007

TEK FAKTORİNG HİZMETLERİ A.Ş.

BALANCE SHEET AS AT 31 DECEMBER 2006

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

<u>ASSETS</u>	<u>Notes</u>	<u>31 December 2006</u>	<u>31 December 2005</u>
CURRENT ASSETS			
Cash and cash equivalents	4	868,669	375,057
Factoring receivables (net)	5	37,099,662	14,616,835
Other current assets	6	26,645	27,305
Total Current Assets		37,994,976	15,019,197
NON CURRENT ASSETS			
Investments in associates	7	26,800	1,370,000
Investment property	8	7,350	695,850
Premises and equipment	9	97,302	81,110
Intangible assets	10	9,259	3,032
Deferred tax assets (net)	12	182,473	-
Total Non-Current Assets		323,184	2,149,992
TOTAL ASSETS		38,318,160	17,169,189
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES			
Bank loans	11	30,421,014	11,217,329
Current tax liabilities		242,310	132,206
Corporate tax provision	12	351,099	84,149
Other current liabilities		538,614	135,617
Total Current Liabilities		31,553,037	11,569,301
NON CURRENT LIABILITIES			
Bank loans	11	-	530,731
Provision for employment termination benefits	13	17,733	45,089
Deferred tax liabilities	12	-	90,438
Total Non-Current Liabilities		17,733	666,258
EQUITY			
Share capital	14	11,578,211	10,534,211
Legal reserves		30,082	30,082
Accumulated deficit		(4,860,903)	(5,630,663)
Total Equity		6,747,390	4,933,630
TOTAL LIABILITIES AND EQUITY		38,318,160	17,169,189

TEK FAKTORİNG HİZMETLERİ A.Ş.

STATEMENT OF INCOME FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

	<u>Notes</u>	<u>Year Ended 31 December 2006</u>	<u>Year Ended 31 December 2005</u>
Factoring interest income		9,864,402	3,380,659
Factoring commission income		1,591,350	579,701
Factoring expenses charged to customers		84,337	52,920
Selling, general and administrative expenses	16	(2,874,358)	(1,917,963)
Operating profit		<u>8,665,731</u>	<u>2,095,317</u>
Other income	18	464,270	949,196
Other expense	19	(2,777,463)	(655,004)
Finance expenses	17	(5,149,748)	(1,169,546)
Profit before taxation		<u>1,202,790</u>	<u>1,219,963</u>
Taxation	12	(433,030)	(250,173)
Profit for the year		<u>769,760</u>	<u>969,790</u>

TEK FAKTORİNG HİZMETLERİ A.Ş.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2006

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

	<u>Share capital</u>	<u>Legal Reserves</u>	<u>Accumulated Deficit</u>	<u>Total</u>
Balance as of 31 December 2004	9,409,211	30,082	(6,600,453)	2,838,840
Increase in share capital	1,125,000	-	-	1,125,000
Profit for the year	-	-	969,790	969,790
Balance as of 31 December 2005	<u>10,534,211</u>	<u>30,082</u>	<u>(5,630,663)</u>	<u>4,933,630</u>
Increase in share capital	1,044,000	-	-	1,044,000
Profit for the year	-	-	769,760	769,760
Balance as of 31 December 2006	<u><u>11,578,211</u></u>	<u><u>30,082</u></u>	<u><u>(4,860,903)</u></u>	<u><u>6,747,390</u></u>

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

TEK FAKTORİNG HİZMETLERİ A.Ş.**STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2006**

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

	1 January – 31 December	1 January – 31 December
Notes	2006	2005
OPERATING ACTIVITIES		
Profit for the year	769,760	969,790
Adjustments to reconcile net profit to net cash provided by operating activities:		
Depreciation of premises and equipment	9 20,783	7,187
Amortization of other intangible assets	10 1,842	325
Provision for employment termination benefits	13 26,424	50,503
Provision for unused vacation accruals	29,310	-
Allowance for doubtful receivables	686,444	189,027
Loss from investment property	408,500	-
Impairment loss on financial assets	1.343.200	-
Income tax expense	433,030	250,173
Operating cash flows before movements in working capital	3,719,293	1,467,005
Decrease in factoring receivables	(23,217,689)	(13,921,826)
(Decrease) / Increase in factoring payables	(112,228)	915,629
Increase in other liabilities	561,519	119,707
Income taxes paid	12 (354,842)	(76,069)
Retirement benefits paid	13 (53,780)	(5,414)
Net cash used in operating activities	(19,457,727)	(11,500,968)
INVESTING ACTIVITIES		
Proceeds from sales of investment property	280,000	-
Purchases of premises and equipment	9 (36,975)	(84,716)
Purchases of intangible assets	10 (8,640)	-
Change in financial assets	-	1,665,793
Net cash provided by investing activities	234,385	1,581,077
CASH FLOWS FROM FINANCING ACTIVITIES		
Change in borrowings (net)	18,672,954	9,063,860
Capital increase	1,044,000	1,125,000
Net cash from financing activities	19,716,954	10,188,860
NET INCREASE IN CASH AND CASH EQUIVALENTS	493,612	268,969
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR	375,057	106,088
CASH AND CASH EQUIVALENTS AT THE END OF YEAR	868,669	375,057

TEK FAKTORİNG HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006 (Amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

1. ACTIVITIES OF THE COMPANY

Tek Faktoring Hizmetleri Anonim Şirketi was incorporated in 1998. After ceasing factoring operations in 2001, the Company has restarted its activities in December 2004. The head office is located at Ömer Avni Mah. İnebolu Sok. Ekemen Han No:1 K:2 Kabataş İstanbul -Turkey. The Company provides factoring services both with and without recourse to industrial and commercial enterprises in Turkey.

2. ADOPTION OF NEW AND REVISED STANDARDS

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (“the IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2006.

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

- | | |
|---|--|
| • IFRIC 7 <i>Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies</i> | Effective for annual periods beginning on or after 1 March 2006 |
| • IFRIC 8 <i>Scope of IFRS 2</i> | Effective for annual periods beginning on or after 1 May 2006 |
| • IFRIC 9 <i>Reassessment of Embedded Derivatives</i> | Effective for annual periods beginning on or after 1 June 2006 |
| • IFRIC 10 <i>Interim Financial Reporting and Impairment</i> | Effective for annual periods beginning on or after 1 November 2006 |
| • IFRS 7 <i>Financial Instruments: Disclosure</i> | Effective for annual periods beginning on or after 1 January 2007 |

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance:

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

Basis of preparation:

The financial statements have been prepared on the historical cost basis except for the revaluation of certain non-current assets and financial instruments.

TEK FAKTORİNG HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006 (Amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of presentation of financial statements:

The Company maintains its books of account and prepares its statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and tax legislation. The accompanying financial statements are based on the statutory records, with adjustments and reclassifications, including restatement for the changes in the general purchasing power of the Turkish Lira in accordance with International Accounting Standard No. 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29") until 1 January 2005, for the purpose of fair presentation in accordance with IFRS.

Inflation accounting:

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods to be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. Such cumulative rate in Turkey is 33,2% for the three years ended 31 December 2005 based upon the producer price index announced by the Turkish State Institute of Statistics ("SIS").

Main indicators of hyperinflation period are as follows;

- a) As of January 2005, data of banking sector verify that Turkish Lira deposits constitutes the majority of total deposits and foreign currency deposits are following a decreasing trend;
- b) As of January 2005, data of banking sector verify that Turkish Lira loans constitutes the majority of total loans and foreign currency deposits are following a decreasing trend;
- c) For the short term transactions prices are generally determined without interest cost;
- d) Government bonds and treasury bills did not issue in respect of price index;

Based on all of the above factors, management of the Company believes that the qualitative and quantitative characteristics necessitating restatement pursuant to IAS 29 were not applicable in Turkey in 2005 and therefore decided to discontinue the inflation accounting application effective from 1 January 2005.

The restatement was calculated by means of conversion factors derived from the wholesale price index announced by SIS (1994 index: 100). Such index and the conversion factors used to restate the accompanying financial statements as of the end of each year to 31 December 2004 are given below:

	<u>Index</u>	<u>Conversion Factor</u>
31 December 2001	4,951,7	1.6972
31 December 2002	6,478,8	1.2971
31 December 2003	7,382,1	1.1384
31 December 2004	8,403,8	1.0000

TEK FAKTORİNG HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006 (Amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Inflation accounting (cont'd):

At 31 December 2006 the exchange rate announced by the Turkish Central Bank (which is a market rate) was YTL 1,4056= USD 1 (31 December 2005: 1,3418).

The main guidelines for the IAS 29 restatement are as follows:

- All balance sheet amounts not already expressed in terms of the measuring unit current at the balance sheet date are restated by applying a general price index (SSI). Corresponding figures for previous periods are similarly restated.
- Monetary assets and liabilities are not restated because they are already expressed in terms of the measuring unit current at the balance sheet date. Monetary items are money held and items to be received or paid in money.
- Non-monetary assets and liabilities are restated by applying, to the initial acquisition cost and any accumulated depreciation, the change in the general price index from the date of acquisition or initial recording to the balance sheet date. Hence, property, plant and equipment, investments and similar assets are restated from the date of their purchase, not to exceed their market value.
- Depreciation is similarly restated. The components of shareholders' equity are restated by applying the applicable general price index from the dates the components were contributed or otherwise arose.
- All items in the statement of income, except non-monetary balance sheet items that have effect on statement of income, are restated by applying the relevant conversion factors from the dates when the income and expense items were initially recorded in the financial statements.
- The gain or loss on the net monetary position is the result of the effect of general inflation and is the difference resulting from the restatement of non-monetary assets, shareholders' equity and income statement items. The gain or loss on the net monetary position is included in net income

TEK FAKTORİNG HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006 (Amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of the accompanying financial statements are as follows:

a. Income and Expense Recognition

Interest and other income and expenses are recognized on the accrual basis, except for fees and commissions for factoring services rendered which are recognized as income when received. Income and expenses are recognized in accordance with IAS 39 at fair value or amortized cost basis. For the purposes of convenience, certain income and expenses are recognized on a straight-line basis where that does not materially differ from fair value or the amortized cost method.

b. Foreign Currency Items

Transactions in foreign currencies are translated at the rates of exchange prevailing at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated at period end exchange rates.

All exchange gains and losses arising on settlement and translation of foreign currency items are included in the statement of income.

c. Related parties

For the purpose of the accompanying financial statements, shareholders and related companies, their directors and key management personnel and other companies in the Başer Group to which they are known to be related, are considered and referred to as related parties.

d. Premises and equipment

Premises and equipment purchased before 1 January 2005 are carried at indexed historical cost as of 31 December 2004, purchases after 2005 are carried with their cost, less accumulated depreciation and impairment.

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

TEK FAKTORİNG HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006 (Amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

e. Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible, intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

f. Investment Property

Investment property, which is property held to earn rentals and/or for capital appreciation, is stated at fair value as at the balance sheet date. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

g. Borrowing costs

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

TEK FAKTORİNG HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006 (Amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

h. Taxation and deferred income taxes

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

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

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

Deferred tax liabilities are recognized for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred tax assets and liabilities are also offset.

i. Retirement pay provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company.

International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19") has been applied in the accompanying consolidated financial statements. Future retirement payments are discounted to their present value at the balance sheet date at an interest rate determined as net of an expected inflation rate and an appropriate discount rate.

TEK FAKTORİNG HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006 (Amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j. Financial instruments

Financial assets and financial liabilities are recognized on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

Factoring receivables

Factoring receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. Managers consider that the carrying amount of factoring receivables approximates their fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value.

Financial liabilities and equity

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

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs.

Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. The directors consider that the carrying amount of trade and other payables approximates their fair value.

TEK FAKTORİNG HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006 (Amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j. Financial instruments (cont'd)

Liquidity risk

Liquidity risk is a substantial risk in Turkish markets, which exhibit significant volatility. The Company is exposed to a certain degree of mismatch between the maturities of its assets and liabilities.

In order to manage this risk, the Company measures and manages its cash flow commitments on a daily basis, and maintains liquid assets, which it judges sufficient to meet its commitments.

The Company uses various methods, including predictions of daily cash positions, to monitor and manage its liquidity risk to avoid undue concentration of funding requirements at any point in time or from any particular source.

As at 31 December 2006 the estimated maturity analysis for certain assets and liabilities is as follows;

	Up to 3 Months	3 to 12 Months	Over 1 Year	No Maturity	Total
ASSETS					
Cash and cash equivalents	-	-	-	868,669	868,669
Factoring receivables	34,740,023	2,359,639	-	-	37,099,662
Investment property	-	-	-	26,800	26,800
Investments in associates	-	-	-	7,350	7,350
Premises and equipment	-	-	-	97,302	97,302
Intangible assets	-	-	-	9,259	9,259
Deferred tax assets	-	-	-	182,473	182,473
Other current assets	24,178	2,467	-	-	26,645
Total	34,764,201	2,362,106	-	1,191,853	38,318,160
LIABILITIES					
Bank loans	21,293,589	9,127,425	-	-	30,421,014
Provisions	351,099	-	17,733	-	368,832
Other current liabilities	549,908	-	-	231,016	780,924
Total equity	-	-	-	6,747,390	6,747,390
Total	22,194,596	9,127,425	17,733	6,978,406	38,318,160

TEK FAKTORİNG HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006 (Amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j. Financial instruments (cont'd)

Liquidity risk (cont'd)

As at 31 December 2005 the estimated maturity analysis for certain assets and liabilities is as follows;

	Up to 3 Months	3 to 12 Months	Over 1 Year	No Maturity	Total
ASSETS					
Cash and cash equivalents	-	-	-	375,057	375,057
Factoring receivables	10,990,763	3,619,016	7,056	-	14,616,835
Investments in associates	-	-	-	1,370,000	1,370,000
Investment property	-	-	-	695,850	695,850
Premises and equipment	-	-	-	81,110	81,110
Intangible assets	-	-	-	3,032	3,032
Other current assets	-	-	-	27,305	27,305
Total	<u>10,990,763</u>	<u>3,619,016</u>	<u>7,056</u>	<u>2,552,354</u>	<u>17,169,189</u>
LIABILITIES					
Bank loans	5,326,026	5,891,303	530,731	-	11,748,060
Provisions	84,149	-	45,089	-	129,238
Deferred tax liabilities	-	-	-	90,438	90,438
Other current liabilities	267,823	-	-	-	267,823
Total equity	-	-	-	4,933,630	4,933,630
Total	<u>5,677,998</u>	<u>5,891,303</u>	<u>575,820</u>	<u>5,024,068</u>	<u>17,169,189</u>

Credit risk

The Company's principal financial assets are bank balances and factoring receivables.

The Company's credit risk is primarily attributable to its factoring receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The Company has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

TEK FAKTORİNG HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j. Financial instruments (cont'd)

Credit risk (cont'd)

The concentration of the Company's domestic factoring and export factoring receivables to industry group is as follows:

	<u>2006</u>	<u>2005</u>
Textile	8,119,447	2,063,636
Construction	8,050,423	3,196,379
Metal	2,832,042	1,213,783
Media	2,743,475	876,858
Transportation	2,741,112	563,103
Automotive	2,421,891	1,636,246
Chemicals	1,492,132	861,885
Food & Beverages	1,408,154	930,889
Machinery-Equipment & Spare Parts	1,385,695	369,238
Petroleum Distribution	1,057,531	524,912
Plastics	869,170	265,135
Forestry	1,018,908	653,905
Durable Consumption Goods	501,865	17,266
Trade	473,048	202,290
Health and Cleaning	310,649	50,953
Electrical Equipment	302,967	305,697
Tourism	287,496	202,066
Agricultural Products	140,569	378,438
Stationary	137,812	116,907
Education	55,860	-
Shoes	45,000	-
Cosmetics	43,957	16,384
Furniture	23,380	450,760
Paint	22,800	-
Financial intermediation	6,000	-
Others	2,287,501	391,552
Deferred interest income	(1,679,222)	(671,447)
	<u>37,099,662</u>	<u>14,616,835</u>

Price risk

The Company is exposed to exchange rate fluctuations between foreign currencies and Turkish Lira due to the nature of its business. A significant portion of the Company's borrowings are in foreign currencies. Certain parts of the interest rates related to borrowings are based on market interest rates; therefore the Company is exposed to interest rate fluctuations on domestic and international markets.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j. Financial instruments (cont'd)

Interest rate risk

The Company 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. The Company manages this risk by matching the repricing of assets and liabilities through risk management strategies.

As at 31 December 2006 the Company's exposure to interest rate risk is as follows:

	Up to 3 Months	3 to 12 Months	Over 1 Year	None Interest bearing	Total
ASSETS					
Cash and cash equivalents	-	-	-	868,669	868,669
Factoring receivables	34,740,023	2,359,639	-	-	37,099,662
Investment property	-	-	-	26,800	26,800
Investments in associates	-	-	-	7,350	7,350
Premises and equipment	-	-	-	97,302	97,302
Intangible assets	-	-	-	9,259	9,259
Deferred tax assets (net)	-	-	-	182,473	182,473
Other current assets	24,178	2,467	-	-	26,645
Total	<u>34,764,201</u>	<u>2,362,106</u>	<u>-</u>	<u>1,191,853</u>	<u>38,318,160</u>
LIABILITIES					
Bank loans	21,293,589	9,127,425	-	-	30,421,014
Factoring obligations (net)	351,099	-	17,733	-	368,832
Current tax liabilities	-	-	-	-	-
Unearned income	-	-	-	-	-
Corporate tax provision	-	-	-	-	-
Deferred tax liabilities	-	-	-	-	-
Other liabilities	549,908	-	-	231,016	780,924
Provision for employment termination benefits	-	-	-	-	-
Total equity	-	-	-	6,747,390	6,747,390
Total	<u>22,194,596</u>	<u>9,127,425</u>	<u>17,733</u>	<u>6,978,406</u>	<u>38,318,160</u>

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j. Financial instruments (cont'd)

Interest rate risk (cont'd)

As at 31 December 2005 the Company's exposure to interest rate risk is as follows:

	Up to 3 Months	3 to 12 Months	Over 1 Year	None Interest bearing	Total
ASSETS					
Cash and cash equivalents	-	-	-	375,057	375,057
Factoring receivables	10,990,763	3,619,016	7,056	-	14,616,835
Investments in associates	-	-	-	1,370,000	1,370,000
Investment property	-	-	-	695,850	695,850
Premises and equipment	-	-	-	81,110	81,110
Intangible assets	-	-	-	3,032	3,032
Other current assets	-	-	-	27,305	27,305
Total	<u>10,990,763</u>	<u>3,619,016</u>	<u>7,056</u>	<u>2,525,124</u>	<u>17,169,189</u>
LIABILITIES					
Bank loans	5,326,026	5,891,303	530,731	-	11,748,060
Provisions	84,149	-	45,089	-	129,238
Deferred tax liabilities	-	-	-	90,438	90,438
Other liabilities	-	-	-	267,823	267,823
Provision for employment termination benefits	-	-	-	-	-
Total equity	-	-	-	4,933,630	4,933,630
Total	<u>5,410,175</u>	<u>5,891,303</u>	<u>575,820</u>	<u>5,291,891</u>	<u>17,169,189</u>

TEK FAKTORİNG HİZMETLERİ A.Ş.

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3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j. Financial instruments (cont'd)

Currency Risk

The Company manages foreign currency risk by using natural hedges that arise from offsetting currency denominated assets and liabilities.

The concentrations of assets and liabilities are summarized below:

At 31 December 2006	<u>TRY</u>	<u>USD</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	655,682	212,987	868,669
Factoring receivables	35,922,977	1,176,685	37,099,662
Investments in associates	26,800	-	26,800
Investment property	7,350	-	7,350
Premises and equipment	97,302	-	97,302
Intangible assets	9,259	-	9,259
Defered tax assets	182,473	-	182,473
Other current assets	26,645	-	26,645
Total	<u>36,928,488</u>	<u>1,389,672</u>	<u>38,318,160</u>
LIABILITIES			
Bank loans	19,684,118	10,736,896	30,421,014
Provisions	368,832	-	368,832
Other liabilities	780,924	-	780,924
Provision for employment termination benefits	-	-	-
Total equity			
Total	<u>20,833,874</u>	<u>10,736,896</u>	<u>31,570,770</u>
Net balance sheet position	<u>16,094,614</u>	<u>(9,347,224)</u>	<u>6,747,390</u>

TEK FAKTORİNG HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006 (Amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

j. Financial instruments (cont'd)

Currency Risk

At 31 December 2005	<u>TRY</u>	<u>USD</u>	<u>EUR</u>	<u>Total</u>
ASSETS				
Cash and cash equivalents	334,286	31,801	8,970	375,057
Factoring receivables	14,616,835	-	-	14,616,835
Investments in associates	1,370,000	-	-	1,370,000
Investment property	695,850	-	-	695,850
Premises and equipment	81,110	-	-	81,110
Intangible assets	3,032	-	-	3,032
Other current assets	27,305	-	-	27,305
Total	<u>17,128,418</u>	<u>31,801</u>	<u>8,970</u>	<u>17,169,189</u>
LIABILITIES				
Bank loans	6,337,445	4,550,107	860,508	11,748,060
Provisions	129,238	-	-	129,238
Deferred tax liabilities	90,438	-	-	90,438
Other liabilities	267,823	-	-	267,823
Total	<u>6,824,944</u>	<u>4,550,107</u>	<u>860,508</u>	<u>12,235,559</u>
Net balance sheet position	<u>10,299,162</u>	<u>(4,513,994)</u>	<u>(851,538)</u>	<u>4,933,630</u>

k. Offsetting

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

l. Use of Estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

TEK FAKTORİNG HİZMETLERİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS
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	31 December 2006	31 December 2005
Cash on hand	536	1,032
Demand deposits – Turkish Lira	868,133	333,254
Demand deposits – Foreign currency	-	40,771
	<u>868,669</u>	<u>375,057</u>

5. FACTORING RECEIVABLES AND PAYABLES (NET)

	31 December 2006	31 December 2005
Factoring receivables	39,929,027	15,918,193
Less: Deferred interest income	(1,679,223)	(671,447)
Less: Reserve for factoring receivable losses	(1,004,297)	(317,853)
Net factoring receivables	<u>37,245,507</u>	<u>14,928,893</u>
Factoring payables	(145,845)	(312,058)
Net funds in use	<u>37,099,662</u>	<u>14,616,835</u>

Movements in the reserve for factoring receivables losses:

	2006	2005
Reserve at beginning of year	317,853	140,826
Provision for factoring receivables losses	686,444	67,920
Collections for the year	-	(12,000)
Provision net of recoveries	<u>1,004,297</u>	<u>196,746</u>
Written-off during the year	-	121,107
Reserve at end of year	<u>1,004,297</u>	<u>317,853</u>

TEK FAKTORİNG HİZMETLERİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS
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	<u>31 December 2006</u>	<u>31 December 2005</u>
Prepaid expenses	13,802	21,865
Advances to personnel	8,209	5,365
Business advances given	4,634	-
Sundry debtors	-	75
	<u>26,645</u>	<u>27,305</u>

7. INVESTMENTS IN ASSOCIATES

	<u>31 December 2006</u>	<u>31 December 2005</u>
Başer Petrokimya	2,294,467	2,294,467
Güney Polgat A.Ş. (*)	<u>1,370,000</u>	<u>1,370,000</u>
	3,664,467	3,664,467
Provision for diminution in value of investments in associates	(3,637,667)	(2,294,467)
	<u>26,800</u>	<u>1,370,000</u>

The Company has participations in Başer Petrokimya and Güney Polgat A.Ş. with 19,2% and 2,7% respectively as of 31 December 2006 (As of 31 December 2005: 19,2% share in Başer Petrokimya and 2,7% in Güney Polgat A.Ş.). During the acquisition of Başer Petrokimya , no cash payment was made. These investment balance was transferred as a result of transactions occurred between with other Başer Group Companies due to restructuring of Başer Group Companies.

As Başer Petrokimya is loss making company, 100% provision is provided.

(*) The shares of Güney Polgat A.Ş. was sold with a price of YTL 26,800 in February 2007.

TEK FAKTORİNG HİZMETLERİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2006****(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)****8. INVESTMENT PROPERTY**

	31 December 2006	31 December 2005
<u>Land</u>		
Acquisition costs	2,350	302,350
Inflation adjustments	5,000	1,121,292
	7,350	1,423,642
Less: Impairment losses	-	(727,792)
	7,350	695,850

The investment property with a book value of YTL 688,500 was sold with a price of YTL 280,000 during the year.

9. PREMISES AND EQUIPMENT

	Vehicles	Furniture and Fixtures	Leasehold Improvements	Total
<u>Acquisition Cost</u>				
Opening balance, 1 January 2006	60,119	98,129	16,912	175,160
Additions	-	36,975	-	36,975
Closing balance, 31 December 2006	60,119	135,104	16,912	212,135
<u>Accumulated Depreciation</u>				
Opening balance, 1 January 2006	(3,006)	(77,141)	(13,903)	(94,050)
Charge for the period	(12,024)	(8,051)	(708)	(20,783)
Closing balance, 31 December 2006	(15,030)	(85,192)	(14,611)	(114,833)
Net book value at 31 December 2006	45,089	49,912	2,301	97,302

TEK FAKTORİNG HİZMETLERİ A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS
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(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

9. PREMISES AND EQUIPMENT (cont'd)

	Vehicles	Furniture and Fixtures	Leasehold Improvements	Total
<u>Acquisition Cost</u>				
Opening balance, 1 January 2005	-	77,072	13,372	90,444
Additions	60,119	21,057	3,540	84,716
Closing balance, 31 December 2005	<u>60,119</u>	<u>98,129</u>	<u>16,912</u>	<u>175,160</u>
<u>Accumulated Depreciation</u>				
Opening balance, 1 January 2005	-	(73,571)	(13,292)	(86,863)
Charge for the period	(3,006)	(3,570)	(611)	(7,187)
Closing balance, 31 December 2005	<u>(3,006)</u>	<u>(77,141)</u>	<u>(13,903)</u>	<u>(94,050)</u>
Net book value at 31 December 2005	<u><u>57,113</u></u>	<u><u>20,988</u></u>	<u><u>3,009</u></u>	<u><u>81,110</u></u>

Premises and equipment, except land that is deemed to have indefinite life, are depreciated on a straight-line basis using the following main rates, which write off the assets over their expected useful lives:

	<u>Useful life</u>
Leasehold improvements	5
Vehicles	5
Furniture and fixtures	5
Intangible assets	5

10. INTANGIBLE ASSETS

	Intangible Assets Total
<u>Acquisition Cost</u>	
Opening balance, 1 January 2006	55,371
Additions	8,640
Disposals	(886)
Closing balance, 31 December 2006	<u>63,125</u>
<u>Accumulated Depreciation</u>	
Opening balance, 1 January 2006	(52,339)
Charge for the period	(1,842)
Disposals	315
Closing balance, 31 December 2006	<u>(53,866)</u>
Net book value at 31 December 2006	<u><u>9,259</u></u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006 (Amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

10. INTANGIBLE ASSETS (cont'd)

	Intangible Assets Total
<u>Acquisition Cost</u>	
Opening balance, 1 January 2005	52,014
Additions	3,357
Closing balance, 31 December 2005	55,371
<u>Accumulated Depreciation</u>	
Opening balance, 1 January 2005	(52,014)
Charge for the period	(325)
Closing balance, 31 December 2005	(52,339)
Net book value at 31 December 2005	3,032

Intangible fixed assets comprise software program rights purchased from third parties.

11. BANK LOANS

	31 December 2006	31 December 2005
<u>Short-term:</u>		
Foreign currency denominated borrowings	10,736,896	5,410,615
Turkish Lira borrowings	19,684,118	5,806,714
	30,421,014	11,217,329
<u>Long-term:</u>		
Turkish Lira borrowings	-	530,731
	-	530,731

Short term borrowings denominated in New Turkish Lira have interest rates within the range of 19,00% - 26,00% (2005: 15,90% - 21,00%) maturing between January 2007 (2006: February). Short term foreign currency borrowings bear varying interest rates within the range of 6,75% - 10,00% (2005: 6,00% - 9,00 %) maturing between May – December 2007 (2005: November 2006).

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006 (Amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

12. TAXATION ON INCOME

Corporate Tax:

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

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

The effective rate of tax in 2006 is 20% (2005: 30%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2006 is 20% (2005: 30%).

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

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

Income withholding tax:

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. This rate was changed to 15% commencing from 23 July 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes. Withholding tax at the rate of 19,8% is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Subsequent to this date, companies can deduct 40% of the investments within the scope of the investment incentive certificate and that are directly related to production facilities of the company. The investments without investment incentive certificates do not qualify for tax allowance.

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

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

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006 (Amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

12. TAXATION ON INCOME (cont'd)

Inflation adjusted legal tax calculation:

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

Deferred Tax:

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

For calculation of deferred tax asset and liabilities, the rate of 20% (2005 :30%) is used.

a) Balance Sheet: Corporate tax

	31 December 2006	31 December 2005
Corporate taxes and funds	705,941	160,218
Prepaid taxes	(354,842)	(76,069)
Net	<u>351,099</u>	<u>84,149</u>

b) Income Statement:

	31 December 2006	31 December 2005
Current income tax	705,941	160,218
Deferred tax charge	(272,911)	89,955
	<u>433,030</u>	<u>250,173</u>

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12. TAXATION ON INCOME (cont'd)

Temporary differences and corresponding deferred taxes are as follows:

	31 December 2006 Timing Differences	31 December 2006 Deferred Tax Asset
Retirement pay provision and vacation liability	(47,045)	(9,409)
Provisions for doubtful receivables	(536,290)	(107,258)
Useful life difference on fixed assets	10,275	2,055
Others	(339,305)	(67,861)
	<u>(912,365)</u>	<u>(182,473)</u>
	31 December 2005 Timing Differences	31 December 2005 Deferred Tax Asset
Retirement pay provision and vacation liability	(45,090)	(13,527)
Provisions for doubtful receivables	(121,107)	(36,332)
Useful life difference on fixed assets	4,103	1,231
Others	463,553	139,066
	<u>301,459</u>	<u>90,438</u>

Movement of deferred tax (asset) / liability:

	31 December 2006	31 December 2005
Opening balance at 1 January	90,438	483
Current year charge	(242,745)	89,955
Effect of tax rate change	(30,166)	-
Closing balance at year end	<u>(182,473)</u>	<u>90,438</u>

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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006 (Amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

13. PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

Under Turkish Labor Law, the Company is required to pay employment termination benefits to each employee who has qualified. Also, employees are required to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions according to current 506 numbered Social Insurance Law's 6 March 1981 dated, 2422 numbered and 25 August 1999 dated, 4447 numbered with 60th article that has been changed.

The amount payable consists of one month's salary limited to a maximum of YTL 1,857,44 (2005: YTL 1,727,15) for each period of service at 31 December 2006.

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

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2006, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated assuming an annual inflation rate of 5% and a discount rate of 11%, resulting in a real discount rate of approximately 5.71% (31 December 2005: 5.49%). The anticipated rate of forfeitures is considered. As the maximum liability is revised semi annually, the maximum amount of YTL 1,960,69 effective from 1 January 2007 has been taken into consideration in calculation of provision from employment termination benefits.

	31 December 2006	31 December 2005
PROVISION FOR RETIREMENT PAY		
At 1 January	45,089	-
Provision for the year	26,424	50,503
Payment made during the year	(53,780)	(5,414)
At 31 December 2005	<u>17,733</u>	<u>45,089</u>

TEK FAKTORİNG HİZMETLERİ A.Ş.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEARS ENDED 31 DECEMBER 2006

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14. SHARE CAPITAL

Shareholders	%	31 December	%	31 December
		2006 Paid-Up Capital		2005 Paid-Up Capital
Başer Holding A.Ş.	12,7	720,000	15,6	720,000
ABC Holding A.Ş.	72,4	4,101,930	81,7	3,777,910
Beta Kimyasal Maddeler Yatırım A.Ş.	12,7	720,000	-	-
Others	2,2	127,070	2,7	127,090
Total Nominal Capital	100,0	5,669,000	100,0	4,625,000
Inflation adjustment		5,909,211		5,909,211
		<u>11,578,211</u>		<u>10,534,211</u>

The Company has increased its share capital from YTL 3,500,000 to YTL 8,000,000 on 13 June 2005 with a total capital commitment of YTL 4,500,000. Out of this commitment, YTL 1,125,000 was paid on 4 July 2005 and YTL 1,044,000 was paid on 5 December 2006.

15. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

The following transactions have been entered into with related parties:

	31 December 2006	31 December 2005
<u>Due from related parties</u>		
Başer Kimya	1,141,785	374,758
Güney Mensucat	115,000	308,655
Cey-Sey Mali Sanayi Yatırımlar A.Ş.	10,267	-
Başer Finansal Kiralama	-	213,990
ABC Holding A.Ş.	-	16,134
	<u>1,267,052</u>	<u>913,537</u>
<u>Due to related parties</u>		
Başer Kimya	48,843	40,567
Güney Mensucat	157	30,451
Güney Giyim	-	2,939
Başer Sigorta	-	10,510
Başer Factoring	-	13,416
Cey-Sey Mali Sanayi Yatırımlar A.Ş.	-	4,422
Petroline	8	-
	<u>49,008</u>	<u>102,305</u>

TEK FAKTORİNG HİZMETLERİ A.Ş.**NOTES TO THE FINANCIAL STATEMENTS
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	<u>2006</u>	<u>2005</u>
Personnel expenses	1,782,529	1,011,318
Rent expenses	132,863	139,614
External services	344,905	177,976
Consultancy services expenses	193,736	203,015
Vehicle expenses	25,086	86,844
Tax expenses	24,129	43,794
Donations	65,295	30,070
Insurance expense	59,226	29,114
Banking charges	67,965	22,205
Amortisation and depreciation expenses	22,625	7,512
Other	155,999	166,501
	<u>2,874,358</u>	<u>1,917,963</u>

17. FINANCE COSTS

	<u>2006</u>	<u>2005</u>
Short-term finance expenses (YTL)	(2,891,565)	(530,343)
Short-term finance expenses (USD)	(911,914)	(448,054)
Short-term finance expenses (EUR)	(78,365)	(13,922)
Long-term finance expenses	-	(176,734)
	<u>(3,881,844)</u>	<u>(1,169,053)</u>
Net foreign currency loss	(1,267,904)	(493)
	<u>(5,149,748)</u>	<u>(1,169,546)</u>

18. OTHER INCOME

	<u>2006</u>	<u>2005</u>
Interest income	9,196	1,878
Provisions released	-	12,000
Discount interest income	454,689	932,052
Other income	385	3,266
	<u>464,270</u>	<u>949,196</u>

TEK FAKTORİNG HİZMETLERİ A.Ş.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEARS ENDED 31 DECEMBER 2006**

(Amounts expressed in New Turkish Lira (TRY) unless otherwise stated.)

19. OTHER EXPENSE

	<u>2006</u>	<u>2005</u>
Impairment loss on financial assets	1,343,200	-
Provision expense of doubtful receivables	686,444	189,027
Discount interest expense	310,009	465,977
Loss on sales from investment property	408,500	-
Other expense	29,310	-
	<u>2,777,463</u>	<u>655,004</u>

20. SUBSEQUENT EVENTS

None.