KPMG

A&T Finansal Kiralama Anonim Şirketi

Financial Statements

As at and for the year ended 31 December 2012

With Independent Auditors' Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

11 February 2013

This report includes "independent auditors' report" comprising 1 page and "financial statements together with their explanatory notes" comprising 26 pages.

A&T Finansal Kiralama Anonim Şirketi

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Independent Auditors' Report

To the Board of Directors of A&T Finansal Kiralama Anonim Şirketi:

We have audited the accompanying financial statements of A&T Finansal Kiralama Anonim Şirketi ("the Company"), which comprise the statement of financial position as at 31 December 2012, the statements of comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about 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 our 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, we consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2012, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

KPMG Akis Bağımsız Denetim ve SMMM A.Ş.

Istanbul,
11 February 2013

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A&T Finansal Kiralama Anonim Şirketi
Statement of Financial Position
As at 31 December 2012
(Currency: Turkish Lira (TL), unless otherwise stated)

	Notes	31 December 2012	31 December 2011
ASSETS:			
Cash and cash equivalents	*10*	16,605,524	21,801,889
Finance lease receivables	*11*	100,135,623	91,758,061
Tangible assets, net	*13*	4,265,206	4,329,405
Intangible assets, net	*14*	20,641	7,314
Deferred tax assets	*9*	2,057,329	3,253,164
Other assets	*12*	3,994,126	5,310,762
Total assets		**127,078,449**	**126,460,595**
LIABILITIES:			
Borrowings	*15*	75,676,268	77,964,561
Trade payables	*16*	1,089,011	864,503
Other liabilities	*17*	148,081	160,594
Income tax payable	*9*	-	377,649
Employee benefits	*18*	906,765	996,205
Total liabilities		**77,820,125**	**80,363,512**
EQUITY:			
Share capital	*19*	41,276,274	39,276,274
Legal reserves	*19*	1,748,879	1,618,044
Retained earnings		6,233,171	5,202,765
Total equity		**49,258,324**	**46,097,083**
Total liabilities and equity		**127,078,449**	**126,460,595**

The notes on pages 5 to 26 are an integral part of these financial statements

A&T Finansal Kiralama Anonim Şirketi
Statement of Comprehensive Income
For the Year Ended 31 December 2012
(Currency: Turkish Lira (TL), unless otherwise stated)

	Notes	2012	2011
Finance lease interest income		8,509,856	6,565,521
Interest income on bank deposits		1,500,127	1,847,461
Income from financing leases		**10,009,983**	**8,412,982**
Interest expense on borrowings		(2,398,774)	(1,983,683)
Net interest income		**7,611,209**	**6,429,299**
Trading income		10,412	7,506
Foreign exchange gain/(loss), net		94,806	(227,005)
Other operating income	*7*	736,097	390,345
Operating income		**841,315**	**170,846**
Marketing, general and administrative expenses	*5*	(913,824)	(813,702)
Salaries and employee benefits	*6*	(2,918,105)	(2,759,491)
Provision reversals/(expenses) for finance lease receivables	*11*	60,845	(31,531)
Depreciation and amortisation	*13,14*	(160,884)	(63,065)
Other operating expenses	*8*	(541,129)	(579,766)
Profit before tax		**3,979,427**	**2,352,590**
Tax expense	*9*	(818,186)	(115,201)
Net profit for the year		**3,161,241**	**2,237,389**
Other comprehensive income			
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		**3,161,241**	**2,237,389**

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A&T Finansal Kiralama Anonim Şirketi
Statement of Changes in Equity
For the Year Ended 31 December 2012
(Currency: Turkish Lira (TL), unless otherwise stated)

	Share capital	Legal reserves	Retained earnings	Total
Balances at 1 January 2011	**36,776,274**	**1,448,245**	**5,635,175**	**43,859,694**
Total comprehensive income for the year:				
Net profit for the year	-	-	2,237,389	2,237,389
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**2,237,389**	**2,237,389**
Transactions with owners, recorded directly in equity:				
Share capital increase	2,500,000	-	(2,500,000)	-
Transfer to legal reserves	-	169,799	(169,799)	-
Total transactions with owners	**2,500,000**	**169,799**	**(2,669,799)**	**-**
Balances at 31 December 2011	**39,276,274**	**1,618,044**	**5,202,765**	**46,097,083**
Balances at 1 January 2012	**39,276,274**	**1,618,044**	**5,202,765**	**46,097,083**
Total comprehensive income for the year:				
Net profit for the year	-	-	3,161,241	3,161,241
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	**-**	**-**	**3,161,241**	**3,161,241**
Transactions with owners, recorded directly in equity:				
Share capital increase	2,000,000		(2,000,000)	-
Transfer to legal reserves		130,835	(130,835)	-
Total transactions with owners	**2,000,000**	**130,835**	**(2,130,835)**	**-**
Balances at 31 December 2012	**41,276,274**	**1,748,879**	**6,233,171**	**49,258,324**

The notes on pages 5 to 26 are an integral part of these financial statements

A&T Finansal Kiralama Anonim Şirketi
Statement of Cash Flows
For the Year Ended 31 December 2012
(Currency: Turkish Lira (TL), unless otherwise stated)

	Notes	2012	2011
Cash Flows From Operating Activities:			
Profit for the year		3,161,241	2,237,389
Adjustments for:			
Current and deferred tax expense	9	818,186	115,201
Depreciation and amortization	13,14	160,884	63,065
Change in provision for employee severance indemnity	18	140,407	53,277
Change in provision for vacation pay liability	18	(9,872)	68,492
Change in provision for employee severance indemnity for expatriates	18	(152,953)	92,469
Income from disposal of equipment and intangibles	7	(55,809)	(13,500)
Provision expenses/(reversal) for doubtful finance lease receivables		(60,845)	31,532
Net interest income		(7,611,209)	(6,429,299)
Change in operating activities:			
Change in finance lease receivables		(8,073,275)	(34,761,226)
Change in other asset		1,316,636	(1,346,057)
Change in trade payables		224,508	42,328
Change in other liabilities		(12,513)	26,290
Employee severance indemnity paid	18	(67,022)	-
Income tax paid		-	(506,691)
Net cash used in operating activities		**(10,221,636)**	**(40,326,730)**
Cash flows from investing activities:			
Acquisition of property and equipment	13	(95,887)	(4,297,402)
Acquisition of intangible assets	14	(17,636)	-
Proceeds from sale of tangible and intangible assets		59,320	13,871
Interest received		9,944,858	7,224,703
Interest paid		(2,317,619)	(2,252,885)
Net cash generated from investing activities		**7,573,036**	**688,287**
Cash flows from financing activities :			
Proceeds from borrowings		31,852,356	31,873,589
Repayments of funds borrowed		(34,221,804)	(2,890,202)
Net cash (used in)/provided from financing activities		**(2,369,448)**	**28,983,387**
Net decrease in cash and cash equivalents		**(5,018,048)**	**(10,655,056)**
Effect of net foreign exchange difference on cash and cash equivalents		(171,925)	1,039,069
Cash and cash equivalents at 1 January	10	21,773,095	31,389,082
Cash and cash equivalents at 31 December	10	**16,583,122**	**21,773,095**

The notes on pages 5 to 26 are an integral part of these financial statements

A&T Finansal Kiralama Anonim Şirketi

Notes to the Financial Statements
As At and For the Year Ended 31 December 2012

(Currency: Turkish Lira (TL), unless otherwise stated)

1 Reporting entity

A&T Finansal Kiralama Anonim Şirketi ("the Company") was established on 4 July 1997, pursuant to the license obtained from the Under secretariat of Treasury and Foreign Trade for the purpose of financial leasing as permitted by the law number 3226. The main shareholder of the Company is Arap Türk Bankası A.Ş with 99% of the shares.

The Company's leasing operations principally focused on machinery and equipment, medical tools, construction, and office equipment.

The number of personnel working for the Company as of 31 December 2012 is 20 (31 December 2011: 20).

2 Basis of preparation

(a) Statement of compliance

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

The accompanying financial statements were authorised for issue by the Board of Directors on 11 February 2013. The General Assembly has the power to amend the consolidated financial statements after their issue.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis as adjusted for the effects of inflation that ended at 31 December 2005, except for the derivative financial instruments at fair value through profit or loss which are measured at their respective fair values.

The methods used to measure fair values are discussed further in *Note 4*.

(c) Functional and presentation currency

These financial statements are presented in TL, which is the Company's functional currency.

(d) Use of estimates and judgments

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

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

Information about significant areas of estimation uncertainty that have the most significant risk of resulting in a material adjustment within the next financial year is included in the following notes:

- *Note 9* – Taxation (utilisation of investment incentives)
- *Note 18* – Measurement of reserve for employee severance payments
- *Note 11* – Impairment in finance lease receivables

(Currency:Turkish Lira ("TL") unless otherwise stated)

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Company.

(a) Accounting in hyperinflationary economies

The consolidated financial statements of the Group has been restated for the changes in the general purchasing power of the Turkish Lira based on International Accounting Standards ("IAS") IAS 29 – *Financial Reporting in Hyperinflationary Economies* until 31 December 2005. *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 reporting date, and that corresponding figures for previous periods be restated in the same terms. One characteristic that necessitates the application of *IAS 29* is a cumulative three-year inflation rate approaching or exceeding 100%. The cumulative three-year inflation rate in Turkey was 35.61% as at 31 December 2005, based on the Turkish nation-wide wholesale price indices announced by the Turkish Statistical Institute. This, together with the sustained positive trend in qualitative factors, such as the stabilisation in financial and monetary markets, decrease in interest rates and the appreciation of TL against the US Dollar and other hard currencies have been taken into consideration to categorise Turkey as a non-hyperinflationary economy under *IAS 29* effective from 1 January 2006.

(b) Foreign currency transactions

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

Foreign exchange rates used by the Company as at 31 December 2012 and 2011 are as follows:

	2012	**2011**
USD	1.7826	1.8889
EUR	2.3517	2.4438
GBP	2.8708	2.9170
CHF	1.9430	2.0062

(c) Financial Instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise minimum finance lease receivables and other receivables, cash and cash equivalents, borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus at any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments including minimum finance lease receivables and time deposits at banks are measured at amortised cost using the effective interest method, less any impairment losses. Time deposits, trade and other payables are measured at amortised cost.

3 Significant accounting policies *(continued)*

(c) Financial Instruments *(continued)*

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, demand and time deposits with a maturity period of three months or less.

Time deposits are measured at amortised cost using the effective interest method, less any impairment losses.

Minimum finance lease receivables

Leases where the entire risks and rewards incident to ownership of an asset are substantially transferred to the lessee are classified as minimum finance lease receivables. A receivable at an amount equal to the present value of the lease payments, including any guaranteed residual value, is recognised. The difference between the gross receivable and the present value of the receivable is unearned interest income and is recognised over the term of the lease using the effective interest rate method.

Loans and borrowings

Loans and borrowings are recognised initially at cost, net of any transaction costs incurred. Subsequent to initial recognition, loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in profit or loss over the period of the borrowings.

(ii) Derivative financial instruments

The Company may hold derivative financial instruments to manage its foreign currency risk exposure.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in the statement of comprehensive income when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value, and changes therein are accounted for as described below.

Economic hedges

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognised in profit or loss as part of foreign currency gains and losses.

(iii) Share capital

Ordinary shares

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

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

3 Significant accounting policies *(continued)*

(d) Tangible assets

(i) Recognition and measurement

Items of tangible assets acquired before 1 January 2006 are measured at cost restated for the effects of inflation in TL units' current at 31 December 2005 pursuant to International Accounting Standard ("IAS 29") "Financial Reporting in Hyper Inflationary Economies" less accumulated depreciation and impairment losses. Tangible assets acquired after 31 December 2005 are measured at cost, less accumulated depreciation, and impairment losses.

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of tangible assets.

The estimated useful lives are as follows:

	Years
Machinery and equipment	5
Office equipment	5
Furniture, fixture and vehicles	5

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

(e) Intangible assets

Intangible assets represent computer software licenses and rights. Intangible assets are measured at cost, less accumulated amortization, and impairment losses. Amortisation is charged to profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

(f) Leased assets

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Payments for operating leasing are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which the termination takes place.

3 Significant accounting policies *(continued)*

(g) Impairment

Financial assets

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

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

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

All impairment losses are recognised in profit or loss.

All impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

(h) Employee benefits

Reserve for employee severance payments

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

	31 December 2012	31 December 2011
Discount rate	2.38%	4.66%
Expected rate of salary / limit increase	5.00%	5.10%

(i) Provisions

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

(j) Offsetting

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

(k) Related Parties

For the purpose of this report, the shareholders of the Company and the companies controlled by/associated with them are referred to as related parties. Related parties also include individual that are principal owners, management and members of the Board of Directors and their families.

3 Significant accounting policies *(continued)*

(l) Revenue and Cost recognition

(i) Interest income from direct finance leases

The Company's finance leases consist of leases of vehicles and various equipments, including industrial machinery and office equipment. The excess of aggregate lease rentals plus the residual value over the cost of the leased asset constitutes the unearned lease income to be taken into income over the term of the lease and produce a constant periodic rate of return on the net cash investment remaining in each lease.

Fee and commission income is recognised when the corresponding service is provided.

(ii) Interest income and expense

Interest income and expense is recognised in profit or loss as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income and expense includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

(m) Income tax

Income tax expense comprises current and deferred tax. In case where gains/losses resulting from the subsequent measurement of the assets or liabilities are recognised in profit or loss, then the related current and/or deferred tax effects are also recognised in profit or loss. On the other hand, if such gains/losses are recognised as an item under equity, then the related current and/or deferred tax effects are also recognised directly in the equity.

Current taxes

Statutory income is subject to corporate tax at 20%. This rate is applied to accounting income modified for certain exemptions (like dividend income) and deductions (like investment incentives), and additions for certain non-tax deductible expenses and allowances for tax purposes. If there is no dividend distribution planned, no further tax charges are made.

Dividends paid to the resident institutions and the institutions working through local offices or representatives are not subject to withholding tax. Withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15%. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of the retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

The prepaid taxes are calculated and paid at the rates valid for the earnings of the related years. The payments can be deducted from the annual corporate tax calculated for the whole year earnings.

In accordance with the tax legislation, tax losses can be carried forward to offset against future taxable income for up to five years. Tax losses cannot be carried back to offset profits from previous periods.

In Turkey, there is no procedure for a final and definite agreement on tax assessments. Companies file their tax returns with their tax offices by the end of the 25th day of the fourth month following the close of the accounting period to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

3 Significant accounting policies *(continued)*

(m) Income tax *(continued)*

Deferred taxes

Deferred tax assets and liabilities are recognised on all taxable temporary differences arising between the carrying values of assets and liabilities in the financial statements and their corresponding balances considered in the calculation of the tax base, except for the differences not deductible for tax purposes and initial recognition of assets and liabilities which affect neither accounting nor taxable profit.

The deferred tax assets and liabilities are reported as net in the accompanying consolidated financial statements if, and only if, the Group has a legally enforceable right to set off current tax assets against current tax liabilities and the deferred tax assets and deferred tax liabilities are income taxes of same taxable entity and relate to income taxes levied by the same taxation authority.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Investment incentive

As per the provisional Article no. 69, effective from 1 January 2006, added to the Income Tax Law no. 193 by Law no. 5479 dated 8 April 2006 and published in Official Gazette no. 26133, tax payers could deduct investment incentives which were calculated according to the legislative provisions (including tax rate related provisions) in force on 31 December 2005, only from the taxable income for the years 2006, 2007, and 2008. The rights of tax payers, who could not deduct investment incentives fully or partially due to insufficient taxable income during those years, were lost as at 31 December 2008.

In accordance with the decision taken by the Turkish Constitutional Court on 15 October 2009, the "2006, 2007 and 2008 …." clause of the provisional Article no. 69 of the Income Tax Law mentioned above, is repealed and the time limitation for the use of the investment incentive is removed. The repeal related to the investment incentive was enacted and issued in the 8 January 2010 Official Gazette number 27456. Accordingly, the Group's subsidiary operating in finance leasing business will be able to deduct its remaining investment incentives from taxable income in the future without any time limitation.

As per "Law regarding amendments to the Income Tax Law and Some Other Certain Laws and Decree Laws" accepted on 23 July 2010 at the Grand National Assembly of Turkey, the expression of "can be deducted from the earnings again in the context of this legislation (including the legislation regarding the tax rate) valid at this date" has been amended as "can be deducted from the earnings again in the context of this legislation (including the legislation regarding the tax rate as explained in the second clause of the temporary article no 61 of the Law) valid at this date" and the following expression of "Investment incentive amount used in determination of the tax base shall not exceed 25% of the associated taxable income. Tax is computed on the remaining income per the enacted tax rate" has been added. This Law has been published in the Official Gazette on 1 August 2010.

The clause "The amount which to be deducted as investment incentive to estimate tax base cannot exceed 25% of related income" which has been added to first clause of the temporary 69th article of Law No: 193 with the 5th article of Law No: 6009 on Amendments to Income Tax Law and Some Other Laws and Decree Laws has been abrogated with the 9 February 2012 dated decisions no: E.2010/93 and K.2012/20.

3 Significant accounting policies *(continued)*

(m) Income tax *(continued)*

Investment incentive *(continued)*

This new legislation enabled utilisation of investment allowances, which are carried forward due to insufficient current year earnings. However, the amount of investment allowance to be utilised may not exceed 25% of earnings for the year. With this change, corporation tax rate adopted for corporations benefiting from investment allowance is determined at the current rate 20% instead of the previous rate of 30%. The Company has TL 1,938,186 (31 December 2011: TL 3,016,445) of deferred tax assets comprising of unused investment allowances which is amounting to TL 13,517,235 (31 December 2011: TL 15,711,642), which may be offset against future profits. Future profit projections and potential tax planning strategies have been taken into consideration during assessment of the recoverability of the deferred tax asset.

Transfer pricing

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

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

(n) New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2013, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for IFRS 9 Financial Instruments, which becomes mandatory for the Company's 2015 financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

(Currency: Turkish Lira ("TL") unless otherwise stated)

4 Determination of fair values

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

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

The estimated fair values of financial instruments have been determined using available market information by the Company, and where it exists, appropriate valuation methodologies. However, judgment is necessary required to interpret market data to determine the estimated fair value. While management has used available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realised in the current circumstances. If a market price is not available, the fair value of the instrument is estimated using pricing models or discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate at the balance sheet date for an instrument with similar terms and conditions. Where pricing models are used, inputs are based on market related measures at the balance sheet date.

As at 31 December, the carrying amounts and fair values of financial instruments are as follows:

	2012		**2011**	
	Fair Value	**Carrying Amount**	**Fair Value**	**Carrying Amount**
Financial assets				
Minimum finance lease receivables	109,764,760	111,452,910	101,052,653	102,373,791
Financial liabilities				
Borrowings	75,676,268	75,676,268	77,964,561	77,964,561
Trade payables	1,089,011	1,089,011	864,503	864,503

5 Marketing, general and administrative expenses

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

	2012	**2011**
Office expenses	247,635	286,058
Service from third parties	172,251	139,173
Insurance expenses	107,804	85,725
Taxes and duties	83,879	113,856
Marketing expenses	45,850	26,532
Rent expense	35,123	131,155
Other expenses	221,282	31,203
Total	**913,824**	**813,702**

(Currency: Turkish Lira ("TL") unless otherwise stated)

6 Salaries and employee benefits

For the years ended 31 December, salaries and employee benefits comprised the following:

	2012	**2011**
Wages and salaries	2,438,996	2,210,750
Change in employee termination and unused vacation provisions	(89,440)	214,239
Other fringe benefits	370,034	153,598
Social security premiums	198,515	180,904
Total	**2,918,105**	**2,759,491**

7 Other operating income

For the years ended 31 December, other operating income comprised the following:

	2012	**2011**
Income from costs charged to customers	510,098	343,153
Gain on sale of leased tangible assets	128,789	33,692
Gain on sale of tangible assets of the company	55,809	13,500
Other income	41,401	-
Total	**736,097**	**390,345**

8 Other operating expense

For the years ended 31 December, other operating expense comprised the following:

	2012	**2011**
Other expenses related to lease contracts	370,862	418,021
Insurance expenses related to lease contracts	129,647	115,368
Fees and commission expense	40,620	46,377
Total	**541,129**	**579,766**

9 Taxation

Income tax expense comprised the following for the years ended 31 December 2012 and 2011:

	2012	**2011**
Current tax income/(expense)(*)	377,649	(377,649)
Deferred tax (expense)/income	(1,195,835)	262,448
Income tax expense	**(818,186)**	**(115,201)**

(*) Because of the abrogation of the clause "The amount which to be deducted as investment incentive to estimate tax base cannot exceed 25% of related income" which has been added to first clause of the temporary 69th article of Law No: 193 with the 5th article of Law No: 6009 on Amendments to Income Tax Law and Some Other Laws and Decree Laws with the 9 February 2012 dated decisions no: E.2010/93 and K.2012/20, the Company reversed their corporate tax expense for the year 2011, that was not paid.

(Currency: Turkish Lira ("TL") unless otherwise stated)

9 Taxation *(continued)*

The breakdown of deductible and taxable temporary differences for which either deferred tax asset or deferred tax liability have been provided at 31 December are as follows:

	2012	2011
Deferred tax liabilities		
Leasing income accruals	(217,765)	(149,946)
	(217,765)	**(149,946)**
Deferred tax asset		
Unused investment incentive allowances	1,938,186	3,016,445
Bad debt allowance	153,734	165,903
Employment termination benefits	181,353	199,241
Other temporary differences	1,821	21,521
	2,275,094	**3,403,110**
Net deferred tax asset	**2,057,329**	**3,253,164**

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

	2012		2011	
	Amount	**%**	**Amount**	**%**
Reported profit before income taxes	3,979,427		2,352,590	
Taxes on reported profit per statutory tax rate	(795,885)	(20.00)	(470,518)	(20.00)
Non-deductible expenses	(75,401)	(1.89)	(31,088)	(1.32)
Effect of unused investment incentive	-	-	629,414	26.75
Other	53,100	1.33	(243,009)	(10.33)
Income tax expense	**(818,186)**	**(20.56)**	**(115,201)**	**(4.90)**

10 Cash and cash equivalents

At 31 December, cash and cash equivalents comprised the following:

	2012	2011
Cash at banks – demand	753,596	445,330
Cash at banks – time	15,851,911	21,355,941
Cash on hand	17	618
Cash and cash equivalents at the statement of financial position	**16,605,524**	**21,801,889**
Less: Accrued interest income	22,402	28,794
Cash and cash equivalences at the statement of cash flows	**16,583,122**	**21,773,095**

At 31 December 2012, maturities of time deposits vary between one month (31 December 2011: one month). At 31 December 2012, interest rates applied to these time deposits ranged between 5.50% and 8.20% (31 December 2011: 6.75% - 12%) for domestic currency time deposits and 2.65% and 3% (31 December 2011: 0.50% - 5%) for foreign currency time deposits.

(Currency: Turkish Lira ("TL") unless otherwise stated)

11 Minimum finance lease receivable

At 31 December, minimum finance lease receivable comprised of the following:

	2012	**2011**
Finance lease receivable	111,284,410	101,630,741
Invoiced lease receivables	2,160,113	1,289,422
Total lease receivables	**113,444,523**	**102,920,163**
Impaired finance lease receivables	1,918,815	1,846,028
Gross finance lease receivables	**115,363,338**	**104,766,191**
Provision for impaired finance lease receivables	(768,670)	(829,516)
Unearned interest income	(14,459,045)	(12,178,614)
Minimum finance lease receivable, net	**100,135,623**	**91,758,061**

Minimum finance lease receivable consists of rentals receivable over the terms of leases. Per the lease agreements made with lessees, there is an insignificant residual value guaranteed to the lessor and the ownership of the items leased is transferred to the lessees at the end of the lease term.

The maturity profile of the minimum finance lease receivable is as follows:

	31.Dec.12	**31.Dec.11**
2012	-	37,041,235
2013	44,016,402	28,428,614
2014	33,054,457	17,239,788
2015	19,333,039	7,093,282
2016	3,731,725	1,955,142
Total payments	**100,135,623**	**91,758,061**

The Company provides specific loss provision for its minimum finance lease receivables. Specific bad debt provision includes individually identified finance lease receivable balances of customers which may ultimately be uncollectible due to customers' inability to repay and/or shortfall in the realizable value of collaterals. The movements of reserve for impaired finance lease receivables during the years ended 31 December are as follows:

	2012	**2011**
Opening balance	829,516	797,984
Provision for the year	150,909	429,410
Collections	(211,755)	(397,878)
Ending balance	**768,670**	**829,516**

12 Other assets

At 31 December, other assets comprised the following:

	2012	**2011**
VAT receivable	3,000,863	4,636,168
Prepaid taxes	393,360	261,562
Prepaid expenses	146,741	110,271
Financial leasing insurance receivables	122,424	66,113
Personnel advances	81,870	77,270
Other assets	248,868	159,378
Total	**3,994,126**	**5,310,762**

(Currency: Turkish Lira ("TL") unless otherwise stated)

13 Tangible assets, net

For the year ended 31 December 2012, the movement in tangible assets is as follows:

	Building	Furniture and Equipment	Motor Vehicles	Total
Cost:				
At 1 January 2012	4,129,540	236,437	252,411	4,618,388
Additions	7,486	43,102	45,299	95,887
Disposals	-	(2,294)	(117,449)	(119,743)
At 31 December 2012	4,137,026	277,245	180,261	4,594,532
Accumulated Depreciation				
At 1 January 2012	6,882	66,827	215,274	288,983
Depreciation for the year	82,741	43,895	29,939	156,575
Disposals	-	(2,294)	(113,938)	(116,232)
At 31 December 2012	89,623	108,428	131,275	329,326
Net carrying value:				
At 31 December 2012	**4,047,403**	**168,817**	**48,986**	**4,265,206**

For the year ended 31 December 2011, the movement in tangible assets is as follows:

	Building	Furniture and Equipment	Motor Vehicles	Leasehold Improvements	Total
Cost:					
At 1 January 2011	-	114,084	287,542	136,616	538,242
Additions	4,129,540	167,862	-	-	4,297,402
Disposals	-	(45,509)	(35,131)	(136,616)	(217,256)
At 31 December 2011	4,129,540	236,437	252,411	-	4,618,388
Accumulated Depreciation					
At 1 January 2011	-	97,877	214,781	136,616	449,274
Depreciation for the year	6,882	14,089	35,624	-	56,595
Disposals	-	(45,139)	(35,131)	(136,616)	(216,886)
At 31 December 2011	6,882	66,827	215,274	-	288,983
Net carrying value:					
At 31 December 2011	**4,122,658**	**169,610**	**37,137**	**-**	**4,329,405**

(Currency: Turkish Lira ("TL") unless otherwise stated)

14 Intangible assets, net

For the year ended 31 December 2012, the movement of intangible assets is as follows:

	Software
Cost:	
At 1 January 2012	69,773
Additions	17,636
Disposals	-
At 31 December 2012	**87,409**
Accumulated Amortisation	
At 1 January 2011	62,459
Amortisation for the year	4,309
Disposals	-
At 31 December 2012	**66,768**
Net carrying value:	
At 31 December 2012	**20,641**

For the year ended 31 December 2011, the movement of intangible assets is as follows:

	Software
Cost:	
At 1 January 2011	96,444
Additions	-
Disposals	(26,671)
At 31 December 2011	**69,773**
Accumulated Amortisation	
At 1 January 2011	82,659
Amortisation for the year	6,470
Disposals	(26,670)
At 31 December 2011	**62,459**
Net carrying value:	
At 31 December 2011	**7,314**

15 Borrowings

At 31 December 2012, bank borrowings comprised the following:

	Balance in Original	**Interest rates range**	**Up to 3 months**	**3 months to 1 year**	**Over 1 year**	**Total**
Fixed rate borrowings:						
USD	5,000,000	5.50%	9,051,894	-	-	9,051,894
EUR	7,000,000	4-4.5%	-	9,437,372	7,080,185	16,517,557
Floating rate borrowings:						
USD	6,869,670	1.81-3.36%	1,844,146	1,372,708	9,053,723	12,270,577
EUR	16,008,510	1.47-3.20%	6,137,575	9,257,345	22,441,320	37,836,240
Total Borrowings			**17,033,615**	**20,067,425**	**38,575,228**	**75,676,268**

(Currency: Turkish Lira ("TL") unless otherwise stated)

15 Borrowings *(continued)*

At 31 December 2011, bank borrowings comprised the following:

	Balance in Original	Interest rates range	Up to 3 months	3 months to 1 year	Over 1 year	Total
Fixed rate borrowings:						
USD	5,077,917	5.50%	-	-	9,591,677	9,591,677
EUR	505,260	5.05%	-	1,234,755	-	1,234,755
Floating rate borrowings:						
USD	6,008,214	1.88-5.50%	-	4,142,151	7,206,766	11,348,917
EUR	22,828,878	2.67-5.05%	4,414,564	22,957,669	28,416,979	55,789,212
Total Borrowings			**4,414,564**	**28,334,575**	**45,215,422**	**77,964,561**

As of 31 December 2012, no guarantees were given to lending institutions as collateral against loans obtained (31 December 2011: Nil). The repayment terms of the bank borrowings are as follows:

	2012	2011
2012	-	32,749,139
2013	37,101,039	45,215,422
2014	31,968,520	-
2015	6,606,709	-
Total	**75,676,268**	**77,964,561**

16 Trade and other payables

At 31 December 2012 and 2011, trade payables comprised of the following:

	2012	2011
Payables to suppliers	612,741	292,718
Finance lease invoices	194,818	3,778
Advances received	232,721	526,560
Other payables	48,731	41,447
Total	**1,089,011**	**864,503**

17 Other liabilities

At 31 December 2012 other liabilities comprised of TL 148,081 (31 December 2011: TL 160,594) taxes and funds payable other than income.

18 Employee benefits

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay, maximum of TL 3,034 at 31 December 2012 (31 December 2011: TL 2,732) per year of employment at the rate of pay applicable at the date of retirement or termination. The principal assumption used in the calculation of the total liability is that the maximum liability for each year of service will increase in line with inflation semi-annually.

International Accounting Standard IAS 19 - *Employee Benefits* requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The reserve has been calculated by estimating the present value of future probable obligation of the Company arising from the retirement of the employees.

(Currency: Turkish Lira ("TL") unless otherwise stated)

18 Employee benefits *(continued)*

The Company has provided for undiscounted short-term employee benefits earned during the financial year as per services rendered in compliance with *TAS 19* in the accompanying unconsolidated financial statements. As of 31 December 2012, TL 456,642 is booked as vacation liability (31 December 2011: TL 466,514).

At 31 December 2012 and 2011, employee benefits comprised of the following:

	2012	**2011**
Vacation pay liability	456,642	466,514
Reserve for employee severance indemnity	318,192	244,807
Reserve for employee severance indemnity for expatriates	131,931	284,884
Total	**906,765**	**996,205**

Movements in the reserve for employee severance indemnity are as follows:

	2012	**2011**
Opening balance	244,807	191,530
Service cost	54,612	49,158
Interest cost	18,361	19,153
Paid during the year	(67,022)	-
Actuarial difference	67,434	(15,034)
Ending balance	**318,192**	**244,807**

19 Shareholders' Equity

Share capital

At 31 December 2012, the Company's statutory nominal value of authorized and paid-in share capital is TL 34,500,000 comprising of 34.500.000 registered shares having par value of 1 TL nominal each. Adjustment to share capital represents the restatement effect of the contributions to share capital due to the inflation accounting (IAS 29).

The shareholders of the Company and their ownership percentages at 31 December 2012 and 2011 are as follows:

	2012		**2011**	
	Shares (%)	**Nominal amount**	**Shares (%)**	**Nominal amount**
Arap Türk Bankası A.Ş.	99.98	34,493,100	99.98	32,493,500
Other	0.02	6,900	0.02	6,500
Historical share capital	100	34,500,000	100	32,500,000
Inflation adjustment to share capital		6,776,274		6,776,274
Total paid-in share capital		**41,276,274**		**39,276,274**

Legal reserves

The legal reserves consist of first and second reserves, in accordance with the Turkish Commercial Code. The first legal reserve appropriated out of the statutory profit at the rate of 5% until the total reserve reaches a maximum of 20% of the Company's paid-in capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the Company's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital. As of 31 December 2012, the Company's statutory legal reserves amounted to TL 1,748,879 (31 December 2011: TL 1,618,044).

20 Financial risk management

The Company has exposure to the following risks during the course of its operations:

Credit risk

Liquidity risk

Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk.

The Company management has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities. The Company, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Credit Risk

The Company is subject to credit risk through its leasing operations. The Credit Analysis Department of the Company is responsible for the management of the credit risk. The limits are being allocated to the customers at an amount of the asset subject to the finance lease contract. In new lease transactions the credibility of the customers are reevaluated and the limits revised accordingly. Sectoral analysis and follow ups are being made periodically and the customers in the risky sectors are being monitored on an ongoing basis. The analysis of customers' creditworthiness is made in accordance with the qualitative and quantitative factors such as the firm's operations, shareholder structure, financial structure, the relations of the firm with other financial institutions.

(Currency: Turkish Lira ("TL") unless otherwise stated)

20 Financial risk management *(continued)*

The collaterals other than the assets subject to finance lease contracts obtained for the finance lease receivables as of 31 December 2012 and 2011 are as follows:

	2012	2011
Promissory notes	239,682,860	228,653,066
Pledges	66,808,284	51,203,842
Guaranty cheques	582,310	295,577
Letters of guarantees received	120,000	820,210
Pledges on vehicles	120,000	181,095
Pledges on deposits	42,337	44,861
Total	**307,355,791**	**281,198,651**

As at 31 December 2012 and 2011, sectoral distribution for the performing finance lease receivables is as follows:

	2012	%	2011	%
Production	47,819,622	43%	41,337,537	40%
Agriculture	20,362,112	18%	11,868,486	12%
Construction	19,298,860	17%	22,737,432	22%
Press	6,742,465	6%	7,476,338	7%
Textile	5,523,345	5%	4,907,434	5%
Food and beverage	1,830,352	2%	3,347,474	3%
Other	11,867,767	9%	11,245,462	11%
Total	**113,444,523**	**100%**	**102,920,163**	**100%**

Foreign currency risk:

The Company is exposed to currency risk through transactions (such as leasing operations and borrowings) in foreign currencies. The main measurement currencies of its foreign exchange operations are EUR and USD. As the currency in which the Company presents its financial statements is TL, the financial statements are affected by movements in the exchange rates against TL.

As at 31 December 2012, the Company's foreign currency assets and liabilities may be analyzed as follows (TL equivalents):

	USD	EUR	Total
Assets			
Cash and cash equivalents	2,835,345	239,482	3,074,827
Finance lease receivable	18,390,805	54,940,112	73,330,917
Other assets	84,476	183,271	267,747
Total assets	**21,310,626**	**55,362,865**	**76,673,491**
Liabilities			
Bank borrowings	21,322,471	54,353,797	75,676,268
Trade payables	58,643	610,102	668,745
Provisions	131,931	-	131,931
Total liabilities	**21,513,045**	**54,963,899**	**76,476,944**
Net balance sheet position	**(202,419)**	**398,966**	**196,547**

(Currency: Turkish Lira ("TL") unless otherwise stated)

20 Financial risk management *(continued)*

Foreign currency risk (continued)

As at 31 December 2011, the Company's foreign currency assets and liabilities may be analyzed as follows (TL equivalents):

	USD	EUR	Total
Assets			
Cash and cash equivalents	1,941,826	7,025,123	8,966,949
Finance lease receivable	19,032,401	49,977,103	69,009,504
Other assets	65,097	58,896	123,993
Total assets	**21,039,324**	**57,061,122**	**78,100,446**
Liabilities			
Bank borrowings	20,940,593	57,023,968	77,964,561
Trade payables	289,867	298,200	588,067
Provisions	284,884	-	284,884
Total liabilities	**21,515,344**	**57,322,168**	**78,837,512**
Net balance sheet position	**(476,020)**	**(261,046)**	**(737,066)**

Currency risk sensitivity analysis

A 1 percent devaluation of the TL against the following currencies as at 31 December 2012 and 2011 would have increased equity and profit or loss (without tax effects) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	2012	2011
	Profit or loss / Equity	**Profit or loss / Equity**
USD	(2,024)	(4,760)
EUR	3,990	(2,610)
Total	**1,966**	**(7,370)**

Interest rate risk:

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

As of 31 December 2012, the interest rate maturity analysis of the monetary items is as follows:

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Non-Interest Bearing	Total
Assets:							
Cash and cash equivalents	15,851,928	-	-	-	-	753,596	16,605,524
Finance lease receivables	8,885,026	6,740,306	8,532,326	19,858,744	56,119,221	-	100,135,623
Other assets	-	-	-	-	-	3,994,126	3,994,126
Total Assets	**24,736,954**	**6,740,306**	**8,532,326**	**19,858,744**	**56,119,221**	**4,747,722**	**120,735,273**
Liabilities:							
Bank borrowings	776,878	16,256,737	19,609,335	458,090	38,575,228	-	75,676,268
Trade payables	-	-	-	-	-	1,089,011	1,089,011
Other liabilities	-	-	-	-	-	148,081	148,081
Total Liabilities	**776,878**	**16,256,737**	**19,609,335**	**458,090**	**38,575,228**	**1,237,092**	**76,913,360**
Net interest position	**23,960,076**	**(9,516,431)**	**(11,077,009)**	**19,400,654**	**17,543,993**	**3,510,630**	**43,821,913**

(Currency: Turkish Lira ("TL") unless otherwise stated)

20 Financial risk management *(continued)*

Interest rate risk (continued)

As of 31 December 2011, the interest rate maturity analysis of the monetary items is as follows:

	Up to 1 month	1 to 3 Months	3 to 6 Months	6 to 12 months	Over 1 year	Non-Interest Bearing	Total
Assets							
Cash and cash equivalents	11,403,043	9,953,516	-	-	-	445,330	21,801,889
Finance lease receivables	3,534,198	6,413,996	7,851,026	18,696,480	55,262,361	-	91,758,061
Other assets	77,270	-	-	-	-	5,233,492	5,310,762
Total assets	**15,014,511**	**16,367,512**	**7,851,026**	**18,696,480**	**55,262,361**	**5,678,822**	**118,870,712**
Liabilities							
Bank borrowings	9,220,220	33,360,723	24,557,186	1,234,755	9,591,677	-	77,964,561
Trade payables	-	-	-	-	-	860,503	860,503
Income tax payable	-	-	-	-	-	377,649	377,649
Other liabilities	-	-	-	-	-	160,594	160,594
Total liabilities	**9,220,220**	**33,360,723**	**24,557,186**	**1,234,755**	**9,591,677**	**1,398,746**	**79,363,307**
Net interest position	**5,794,291**	**(16,993,211)**	**(16,706,160)**	**17,461,725**	**45,670,684**	**4,280,076**	**39,507,405**

The table below shows the effects of changes in interest rates on the financial statements of the Company. The sensitivity of the profit or loss is the effect of possible changes in the interest rates on the net interest income of floating rate financial assets and liabilities as of 31 December 2012. The other variables, especially exchanges rates, are assumed to be fixed in this analysis. The same method is applied for 31 December 2011.

	2012		2011	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Floating rate finance lease receivables	-	-	132	(132)
Floating rate financial liabilities	1,286,738	(1,298,753)	141,512	(141,512)
Total, net	**1,286,738**	**(1,298,753)**	**141,644**	**(141,644)**

Liquidity risk:

Liquidity risk arises in the general funding of the Company's activities and in the management of positions. It includes both risk of being unable to fund assets at appropriate maturities and rates and risk of being unable to liquidate an asset at a reasonable price and in an appropriate time frame. The Company has access to funding sources from banks, its suppliers and its shareholders. The Company continuously assesses liquidity risk by identifying and monitoring changes in funding required in meeting business goals and targets set in terms of the overall Company strategy. In addition, a portfolio of liquid assets is held as a part of the Company's liquidity risk management strategy.

(Currency: Turkish Lira ("TL") unless otherwise stated)

20 Financial risk management *(continued)*

The table below represents the gross amount of un-discounted cash flows of financial liabilities to the nearest contract maturities.

Presentation of contractual liabilities based on their outstanding maturities:

31 December 2012	Book Value	Gross Nominal Outflow	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years
Borrowings	75,676,268	77,568,024	796,298	1,663,124	20,569,070	54,539,532
Trade payables	1,089,011	1,089,011	1,089,011	--	--	--
Total	**76,765,279**	**78,657,035**	**1,885,309**	**1,663,124**	**20,569,070**	**54,539,532**

31 December 2011	Book Value	Gross Nominal Outflow	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years
Borrowings	77,964,561	82,691,572	771,070	4,312,094	31,014,324	46,594,084
Trade payables	864,503	864,503	864,503	--	--	--
Total	**78,829,064**	**83,556,075**	**1,635,573**	**4,312,094**	**31,014,324**	**46,594,084**

21 Commitments and contingencies

Legal proceedings:

Due to the nature of its business the Company is involved in a number of claims and legal proceedings arising in the ordinary course of business. It is the opinion of the management and its professional advisors that such claims are either without merit can be successfully defended or will not have a material adverse effect on the Company's financial position.

Letters of credit:

At 31 December, contingent liabilities arising from letters of credit comprised of the following:

	2012	2011
EURO	-	1,475,798
USD	356,520	684,264

Letters of guarantee:

At 31 December 2012, letters of guarantee amounting to TL 329,261 (31 December 2011: TL 3,276,490) were given mainly to customs authorities and insurance companies.

(Currency: Turkish Lira ("TL") unless otherwise stated)

22 Related parties

For the purpose of this report, the shareholders of the Company, Arap Türk Bankası A.Ş, the ultimate shareholder of the Company and the shareholders of Arap Türk Bankası A.Ş, Libyan Arab Foreign Bank, Türkiye İş Bankası A.Ş, and T.C Ziraat Bankası A.Ş are referred to as related parties. A number of transactions are entered into with the related parties in the normal course of business. These transactions were carried out on an arms-length basis.

At 31 December, bank deposits at related parties were as follows:

	2012	**2011**
T. İş Bankası AŞ	1,136,761	3,643,949
Arap Türk Bankası AŞ	98,131	115,880
TC Ziraat Bankası AŞ	5,679	8,371
Total	**1,240,571**	**3,768,200**

At 31 December, related party balances other than bank deposits are as follows:

	2012	**2011**
Borrowings	65,989,025	60,176,814
Finance lease receivable	1,269,047	1,925,334
Total	**67,258,072**	**62,102,148**

As of 31 December 2012 maturity of the loans obtained from related banks vary between 8 January 2013 and 31 December 2015. (31 December 2011: 6 December 2012 and 20 March 2013). The interest rates of the loans vary between 1.47% to 5.50% (31 December 2011: between 3.30% to 5.50%).

For the year ended 31 December, related party transactions were as follows:

	2012	**2011**
Income		
Interest income on time deposits	174,327	517,625
Finance lease interest income	86,502	202,614
Expense		
Interest expense on borrowings	2,170,373	1,324,159
Off-balance sheet		
Letter of guarantee	658,522	3,276,490

For the year ended 31 December 2012, the Company paid to executive members and key management personnel amounting to TL 908,195 (31 December 2011: TL 904,970) as fringe benefit.