A&T FİNANSAL KIRALAMA ANONİM ŞIRKETİ

FINANCIAL STATEMENTS
AT 31 DECEMBER 2013 TOGETHERWITH
INDEPENDENT AUDITOR'S REPORT

CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH

To the Board of Directors of A&T Finansal Kiralama A.Ş.,

We have audited the accompanying balance sheet of A&T Finansal Kiralama A.Ş. ("the Company") at 31 December 2013 and the statement of profit or loss, statement of profit or loss and other comprehensive income, statement of cash flows and statement of changes in equity for the year then ended and a summary of significant accounting policies and other explanatory notes to the financial statements.

Disclosure for the responsibility of the Company's Board of Directors:

The Company's Board of Directors is responsible for establishing and maintaining effective internal control over financial reporting to prevent the misstatements caused by error or fraud, that are material to the financial statements; and for selecting and applying appropriate accounting policies in compliance with the "Communique Regarding the Format and Content of Publicly Announced Financial Statements and Uniform Chart of Accounts and its Interpretation to be applied by Financial Leasing, Factoring and Financing Companies" published on the Official Gazette No. 28861 dated 24 December 2013, Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, circulars and interpretations published by the Banking Regulation and Supervision Agency ("BRSA") on accounting and financial reporting principles.

Disclosure for the responsibility of the Authorized Audit Firm:

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our independent audit has been implemented in accordance with "Regulation on Authorisation and Activities of Institutions to Conduct Independent Audit in Banks" published on the Official Gazette No.26333 dated 1 November 2006 and International Auditing Standards. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements; the selection of these audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting process into consideration and assessing the appropriateness of the applied accounting policies, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion stated below.

Başaran Nas Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş. a member of PricewaterhouseCoopers
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Independent Auditor's Opinion:

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of A&T Finansal Kiralama A.Ş. at 31 December 2013 and the results of its operations and its cash flows for the year then ended in accordance with regulations, communiqués, circulars and interpretations published by the BRSA on accounting and financial reporting principles.

Additional Paragraph for Convenience Translation:

As explained in detail in Note 2, the financial reporting standards as described in Note 2 to the accompanying financial statements differ from International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. Accordingly, the accompanying financial statements are not intended to present the financial position, results of operations and changes in financial position and cash flows in accordance with the accounting principles generally accepted in such countries and IFRS.

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

Zeynep Uras, SMMM
Partner

Istanbul, 27 February 2014

A&T FINANSAL KIRALAMA A.Ş.

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BALANCE SHEET (STATEMENT OF FINANCIAL POSITION)
AT 31 DECEMBER 2013

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

	Notes	2013	2012
ASSETS:			
Cash and cash equivalents	*9*	20,741,770	16,605,524
Finance lease receivables	*10*	177,355,434	100,135,623
Tangible assets, net	*12*	4,143,929	4,265,206
Intangible assets, net	*13*	240,496	20,641
Deferred tax assets	*8*	1,218,183	2,057,329
Other assets	*11*	4,185,588	3,994,126
Total assets		**207,885,400**	**127,078,449**
LIABILITIES:			
Borrowings	*14*	129,646,883	75,676,268
Trade payables	*15*	8,224,197	1,089,011
Other liabilities	*16*	233,722	148,081
Income tax payable	*8*	-	-
Employee benefits	*17*	1,153,555	906,765
Total liabilities		**139,258,357**	**77,820,125**
EQUITY:			
Share capital	*18*	61,723,499	41,276,274
Legal reserves	*18*	1,808,330	1,748,879
Actuarial losses		(120,789)	(99,440)
Retained earnings		5,216,003	6,332,611
Total equity		**68,627,043**	**49,258,324**
Total liabilities and equity		**207,885,400**	**127,078,449**

The notes on pages 5 to 32 are an integral part of these financial statements.

A&T FINANSAL KIRALAMA A.Ş.

STATEMENT OF COMREHENSIVE INCOME
FOR THE YEARS ENDED 31 DECEMBER 2013 AND2012

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

	Notes	2013	2012
Finance lease interest income		11,655,473	8,509,856
Interest income on bank deposits		1,348,131	1,500,127
Income from leasing operations		**13,003,604**	**10,009,983**
Interest expense on borrowings		(2,941,338)	(2,398,774)
Net interest income		**10,062,266**	**7,611,209**
Trading income		25,584	10,412
Foreign exchange gain/(loss), net		218,285	94,806
Other operating income	*6*	286,587	736,097
Operating income		**530,456**	**841,315**
Marketing, general and administrative expenses	*4*	(1,033,324)	(913,824)
Salaries and employee benefits	*5*	(3,432,992)	(2,793,804)
Provision reversals/(expenses) for finance lease receivables	*10*	(283,978)	60,845
Depreciation and amortization	*12,13*	(195,950)	(160,884)
Other operating expenses	*7*	(907,281)	(541,130)
Profit before tax		**4,739,197**	**4,103,727**
Tax expense	*8*	(844,483)	(843,046)
Net profit for the year		**3,894,714**	**3,260,681**
Other comprehensive income		**(21,349)**	**(99,440)**
Other comprehensive income for the year, net of income tax		(21,349)	(99,440)
Total comprehensive income for the year		**3,873,364**	**3,161,241**

The notes on pages 5 to 32 are an integral part of these financial statements.

A&T FINANSAL KIRALAMA A.Ş.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Share	Legal	Actuarial		
		Legal	Losses, net	Retained	
	Share capital	reserves	of tax	earnings	Total
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	-	-	-	3,260,681	3,260,681
Other comprehensive income	-	-	(99,440)	-	(99,440)
Total comprehensive income for the year	**-**	**-**	**(99,440)**	**3,260,681**	**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**	**(99,440)**	**6,332,611**	**49,258,324**
Balances at 1 January 2013	**41,276,274**	**1,748,879**	**(99,440)**	**6,332,611**	**49,258,324**
Total comprehensive income for the year:					
Net profit for the year	-	-	-	3,894,713	3,894,713
Other comprehensive income	-	-	(21,349)	-	(21,349)
Total comprehensive income for the year	**-**	**-**	**(21,349)**	**3,894,713**	**3,873,364**
Transactions with owners, recorded directly in equity:					
Share capital increase	20,447,225	(98,527)	-	(4,853,343)	**15,495,355**
Transfer to legal reserves		157,978	-	(157,978)	-
Total transactions with owners	**20,447,225**	**59,451**	**-**	**(5,011,321)**	**15,495,355**
Balances at 31 December 2013	**61,723,499**	**1,808,330**	**(120,789)**	**5,216,003**	**68,627,043**

A&T FINANSAL KIRALAMA A.Ş.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2013

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

	Notes	2013	2012
Cash flows from operating activities			
Profit for the year		3,894,713	3,161,241
Adjustments for:			
Current and deferred tax expense	8	844,483	818,186
Depreciation and amortization	12,13	194,324	160,884
Change in provision for employee severance indemnity	17	75,733	140,407
Change in provision for vacation pay liability	17	35,027	(9,872)
Change in provision for employee severance indemnity for expatriates	17	136,030	(152,953)
Provision expenses/(reversal) for doubtful finance lease receivables		(283,978)	(60,845)
Net interest income		(9,516,690)	(7,611,209)
Change in operating activities:			
Net increase in finance lease receivables		(76,633,818)	(8,073,275)
Net increase in other asset		(193,624)	1,316,636
Net increase in trade payables		7,135,186	224,508
Net decrease in other liabilities		(85,641)	(12,513)
Employee severance indemnity paid	17	-	(67,022)
Net cash used in operating activities		**(74,398,255)**	**(10,165,827)**
Cash flows from investing activities:			
Acquisition of property and equipment	13	(28,048)	(95,887)
Acquisition of intangible assets	14	(267,614)	(17,636)
Proceeds from sale of tangible and intangible assets		77,050	3,511
Interest received		11,562,241	9,944,858
Interest paid		(2,163,043)	(2,317,619)
Net cash generated from investing activities		**9,180,586**	**7,517,227**
Cash flows from financing activities:			
Proceeds/(payments) of borrowings		53,605,965	(2,369,448)
Capital cash injection		15,495,355	(34,221,804)
Net cash (used in)/provided from financing activities		**69,101,320**	**(2,369,448)**
Net increase in cash and cash equivalents		**3,883,651**	**(5,018,048)**
Effect of net foreign exchange difference on cash and cash equivalents		256,507	(171,925)
Cash and cash equivalents at beginning of the year	**9**	**16,583,122**	**21,773,095**
Cash and cash equivalents at 31 December	9	**20,723,280**	**16,583,122**

The notes on pages 5 to 32 are an integral part of these financial statements

NOTE 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 2013 is 23 (31 December 2012: 20).

NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

(a) Statement of compliance

The principal accounting policies adopted in the preparation of the financial statements at 31 December 2013 are set out below. These policies have been consistently applied to the year presented, unless otherwise stated.

The Company maintains its books of account and prepares them in accordance with "Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be Issued By Leasing, Factoring and Consumer Finance Companies" published by the Banking Regulation and Supervision Agency ("BRSA"). The financial statements have been prepared in accordance with Capital Market Board decision numbered 28861, dated 24 December 2013 and in accordance with "Uniform Chart of Accounts, Disclosures and Form and Nature of Financial Statements to be Issued By Leasing, Factoring and Consumer Finance Companies" published by the BRSA on 13 December 2012 in the Official Gazette numbered 28496 and Turkish Accounting/Financial Reporting Standards ("TAS/TFRS") and the interpretations and with the Communiqué: "The Procedures Regarding The Provisions to be Provided for the Loans of Leasing, Factoring and Consumer Finance Companies" issued by BRSA in the Official Gazette numbered 28861 dated 24 December 2013.; and in accordance with Turkish Accounting / Financial Reporting Standards ("IAS/IFRS") and their additions and comments issued by the Turkish Accounting Standard's Board ("IASB").

These financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with International Financial Reporting Standards ("IFRS").

The balance sheet and the income statement of the Subsidiary are on basis and the carrying value of the Subsidiary held by the Company eliminated against the related equity.

The Company has prepared the financial statements according to the going concern assumption.

(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*.

NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

(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 recognized 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

1 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 recognized 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.

(Currency: Turkish Lira (“TL”) unless otherwise stated)

NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

(b) Foreign currency transactions (Continued)

Foreign exchange rates used by the Company as at 31 December 2013 and 2012 are as follows:

	2013	2012
USD	2.1343	1.7826
EUR	2.9365	2.3517
GBP	3.5114	2.8708

(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 recognized 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 amortized cost using the effective interest method, less any impairment losses. Time deposits, trade and other payables are measured at amortized cost.

A financial instrument is recognized if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognized 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 derecognized 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 amortized 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 recognized. The difference between the gross receivable and the present value of the receivable is unearned interest income and is recognized over the term of the lease using the effective interest rate method.

Loans and borrowings

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

NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

(ii) Derivative financial instruments

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

Derivatives are recognized initially at fair value; attributable transaction costs are recognized 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 recognized 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 recognized 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.

(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 recognized 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 recognized in the statement of comprehensive income as incurred.

NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

(iii) Depreciation

Depreciation is recognized 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 amortized 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. Amortization 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 recognized 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 recognized as an expense in the period in which the termination takes place.

(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 amortized 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 recognized 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 recognized. For financial assets measured at amortized cost, the reversal is recognized in profit or loss.

NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

(h) Employee benefits

Reserve for employee severance payments

Provision for employment termination benefits represents the present value of the future probable obligation of the Company. According to the labour laws and regulations in Turkey, the Company is required to provide compensation payments to employees who retires, leaves or is dismissed due to any inappropriate act defined in Turkish Labour Law. In this context, provision for employment termination benefits that represents the present value of the future probable obligation of the Company, is calculated with defined actuarial estimations and accrued to the financial statements

	31 December 2013	31 December 2012
Discount rate	2.38%	2.38%
Expected rate of salary / limit increase	5.00%	5.00%

(i) Provisions

A provision is recognized 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 recognized 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.

(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 recognized when the corresponding service is provided.

NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

(ii) Interest income and expense

Interest income and expense is recognized 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 recognized in profit or loss, then the related current and/or deferred tax effects are also recognized in profit or loss. On the other hand, if such gains/losses are recognized as an item under equity, then the related current and/or deferred tax effects are also recognized 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.

NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Deferred taxes

Deferred tax assets and liabilities are recognized 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 recognized 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.

NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Investment incentive

This new legislation enabled utilization of investment allowances, which are carried forward due to insufficient current year earnings. However, the amount of investment allowance to be utilized 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 1,095,657 (31 December 2012: TL 1,938,186) of deferred tax assets comprising of unused investment allowances which is amounting to TL 5,478,283 (31 December 2012: TL 9,690,930), 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

The Company adopted the standards, amendments and interpretations published by the International Accounting Standards Board (“IASB”) and International Financial Reporting Interpretation Committee (“IFRIC”) and which are mandatory for the accounting periods beginning on or after 1 January 2013 which are related to the Company’s operations.

Standards, amendments and IFRICs applicable to 31 December 2013 year ends

Amendment to IAS 1, ‘Financial statement presentation’, regarding other comprehensive income; is effective for annual periods beginning on or after 1 July 2012. The main change resulting from these amendments is a requirement for entities to group items presented in ‘other comprehensive income’ (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI.
Amendment to IAS 19, ‘Employee benefits’; is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis.

Amendment to IFRS 1, ‘First time adoption’, on government loans; ; is effective for annual periods beginning on or after 1 January 2013. This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.

Amendment to IFRS 7, ‘Financial instruments: Disclosures’, on asset and liability offsetting,; is effective for annual periods beginning on or after 1 January 2013. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

Amendment to IAS 19, ‘Employee benefits’; is effective for annual periods beginning on or after 1 January 2013. These amendments eliminate the corridor approach and calculate finance costs on a net funding basis. 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.

Amendment to IFRS 1, ‘First time adoption’, on government loans; is effective for annual periods beginning on or after 1 January 2013. This amendment addresses how a first-time adopter would account for a government loan with a below-market rate of interest when transitioning to IFRS. It also adds an exception to the retrospective application of IFRS, which provides the same relief to first-time adopters granted to existing preparers of IFRS financial statements when the requirement was incorporated into IAS 20 in 2008.

Amendment to IFRS 7, ‘Financial instruments: Disclosures’, on asset and liability offsetting¸; is effective for annual periods beginning on or after 1 January 2013. This amendment includes new disclosures to facilitate comparison between those entities that prepare IFRS financial statements to those that prepare financial statements in accordance with US GAAP.

Amendment to IFRS 10, 11 and 12 on transition guidance¸; is effective for annual periods beginning on or after 1 January 2013. These amendments provide additional transition relief to IFRSs 10, 11 and 12, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. For disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before IFRS 12 is first applied.
Annual Improvements 2011: It is effective for annual reporting periods beginning from 1 January 2013 or after this period. This annual improvements include five titles in reporting period of 2009-2011. These amendments:

- IFRS 1, “First-time Adoption of International Financial Reporting Standards”
- IAS 1, “Presentation of Financial Statements”
- IAS 16, “Tangible Assets”
- IAS 32, “Financial instruments: Presentation”
- IAS 34, “Interim Period Financial Reporting”

IFRS 10, “Consolidated financial statements”, is effective for annual periods beginning on or after 1 January 2013. The standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. This new standard might impact the entities that a group consolidates as its subsidiaries.

IFRS 11, ‘Joint arrangements’ is effective for annual periods beginning on or after 1 January 2013. IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than its legal form. There are two types of joint arrangement: joint operations and joint ventures. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and therefore accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint operator has rights to the net assets of the arrangement and therefore equity accounts for its interest. Proportional consolidation of joint ventures is no longer allowed.

IFRS 12, “Disclosures of interests in other entities”, is effective for annual periods beginning on or after 1 January 2013. The standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles.

NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

IFRS 13, 'Fair value measurement'; is effective for annual periods beginning on or after 1 January 2013. IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRS and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP.

IAS 27 (revised 2011), 'Separate financial statements'; is effective for annual periods beginning on or after 1 January 2013. IAS 27 (revised 2011) includes the provisions on separate financial statements that are left after the control provisions of IAS 27 have been included in the new IFRS 10.

IAS 28 (revised 2011), 'Associates and joint ventures'; is effective for annual periods beginning on or after 1 January 2013. IAS 28 (revised 2011) includes the requirements for joint ventures, as well as associates, to be equity accounted following the issue of IFRS 11.

New IFRS standards, amendments and IFRICs effective after 1 January 2014

Amendment to IAS 32, 'Financial instruments: Presentation', on asset and liability offsetting is effective for annual periods beginning on or after 1 January 2014.These amendments are to the application guidance in IAS 32, 'Financial instruments: Presentation', and clarify some of the requirements for offsetting financial assets and financial liabilities on the balance sheet.

Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities is effective for annual periods beginning on or after 1 January 2014. These amendments mean that many funds and similar entities will be exempt from consolidating most of their subsidiaries. Instead, they will measure them at fair value through profit or loss. The amendments give an exception to entities that meet an 'investment entity' definition and which display particular characteristics. Changes have also been made IFRS 12 to introduce disclosures that an investment entity needs to make.

Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures is effective for annual periods beginning on or after 1 January 2014. This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Amendment to IAS 39 'Financial Instruments: Recognition and Measurement' - 'Novation of derivatives is effective for annual periods beginning on or after 1 January 2014. This amendment provides relief from discontinuing hedge accounting when novation of a hedging instrument to a central counterparty meets specified criteria.

TFRIC 21, 'Levies' is effective for annual periods beginning on or after 1 January 2014. This is an interpretation of IAS 37, 'Provisions, contingent liabilities and contingent assets'. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event (known as an obligating event). The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

NOTE 2 BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

IFRS 9 'Financial instruments' - classification and measurement; is effective for annual periods beginning on or after 1 January 2015. This standard on classification and measurement of financial assets and financial liabilities will replace IAS 39, 'Financial instruments: Recognition and measurement'. IFRS 9 has two measurement categories: amortized cost and fair value. All equity instruments are measured at fair value. A debt instrument is measured at amortized cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest. For liabilities, the standard retains most of the IAS 39 requirements. These include amortized-cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. This change will mainly affect financial institutions.

Amendments to IFRS 9,'Financial instruments', regarding general hedge. These amendments to IFRS 9, 'Financial instruments', bring into effect a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements.

Amendment to IAS 19 regarding defined benefit plans; ; is effective for annual periods beginning on or after 1 July 2014. These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

Annual Improvements 2012: It is effective for annual reporting periods beginning from 1 July 2013 or after this period. This annual improvements include six titles in reporting period of 2010-2012. These amendments:

- IFRS 2, Share Based Payment
- IFRS 3, Business Combinations
- IFRS 8, Operating Segments
- IAS 16, Tangible Fixed Assets and IAS 38, Intangible Fixed Assets
- IFRS 9, Financial Instruments: TMS 37, Provisions, Contingent Assets and Liabilities
- IAS 39, Financial Instruments - Recognition and Measurement"

Annual Improvements 2013: It is effective for annual reporting periods beginning from 1 July 2014 or after this period. This annual improvements include four titles in reporting period of 2011-12-13. These amendments:

- IFRS 1, First time adoption, on government loans
- IFRS 3 Joint arrangements,
- IFRS 13, Fair value measurement
- IAS 40, Investment Property Standards

Except IFRS 9, changes shown above does not have a serious impact on company's financial condition and performance.

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

NOTE 3 DETERMINATION OF FAIR VALUES

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

	2013		2012	
	Fair value	**Carrying amount**	**Fair value**	**Carrying amount**
Financial assets				
Minimum finance lease receivables	172,893,413	177,355,434	109,764,760	111,452,910
Financial liabilities				
Borrowings	129,646,883	129,646,883	75,676,268	75,676,268
Trade payables	8,224,197	8,224,197	1,089,011	1,089,011

NOTE 4 MARKETING AND GENERAL ADMINISTRATIVE EXPENSES

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

	2013	**2012**
Office expenses	247,439	247,635
Service from third parties	231,651	172,251
Insurance expenses	129,116	107,804
Taxes and duties	210,055	83,879
Rent expense	82,453	35,123
Other expenses	132,610	267,132
Total	**1,033,324**	**913,824**

NOTE 5 SALARIES AND EMPLOYEE BENEFITS

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

	2013	**2012**
Wages and salaries	2,752,539	2,438,996
Change in employee termination and unused vacation provisions	220,106	(89,440)
Other fringe benefits	221,920	370,034
Social security premiums	238,426	198,515
Total	**3,432,992**	**2,918,105**

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

NOTE 6 OTHER OPERATING INCOME

For the years ended 31 December 2013 and 2012, other operating income comprised the following:

	2013	**2012**
Income from costs charged to customers	214,193	510,098
Gain on sale of leased tangible assets	-	128,789
Gain on sale of tangible assets of the company	72,394	55,809
Other income	-	41,401
Total	**286,587**	**736,097**

NOTE 7 OTHER OPERATING EXPENSE

For the years ended 31 December 2013 and 2012, other operating expense comprised the following:

	2013	**2012**
Notary expenses	288,055	136,788
Insurance expenses related to lease contracts	204,013	129,647
Fees and commission expense	49,301	40,620
Other expenses related to lease contracts	386,233	234,074
Total	**907,282**	**541,129**

NOTE 8 TAXATION

Income tax expense comprised the following for the years ended 31 December 2013 and 2012:

	2013	**2012**
Current tax income/(expense)	-	377,649
Deferred tax (expense)/income	(844,483)	(1,195,835)
Income tax expense	**(844,483)**	**(818,186)**

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:

	2013	**2012**
Deferred tax liabilities		
Difference between carrying values and tax base of property and equipment	81,460	58,402
Leasing income accruals	280,126	159,363
	361,586	**(217,765)**
Deferred tax asset		
Unused investment incentive allowances	1,095,657	1,938,186
Bad debt allowance	210,530	153,734
Employment termination benefits	230,711	181,353
Other temporary differences	42,871	1,821
	1,579,769	**2,275,094**
Net deferred tax asset	**1,218,183**	**2,057,329**

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

NOTE 8 TAXATION (Continued)

The reported tax expense for the years ended 31 December 2013 and 2012 are different than the amounts computed by applying the statutory tax rate to profit before tax as shown in the following reconciliation:

	2013 Amount	**2012 Amount**
Reported profit before income taxes	4,739,197	3,979,427
Taxes on reported profit per statutory tax rate	947,839	(795,885)
Non-deductible expenses	198,319	(75,401)
Effect of unused investment incentive	(1,146,518)	-
Other	(844,483)	28,240
Income tax expense	**(844,843)**	**(843,046)**

NOTE 9 CASH AND CASH EQUIVALENTS

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

	2013	**2012**
Cash at banks - demand	1,333,071	753,596
Cash at banks - time	19,407,757	15,851,911
Cash on hand	942	17
Cash and cash equivalents at the statement of financial position	**20,740,828**	**16,605,524**
Less: Accrued interest income	-	22,402
Cash and cash equivalences at the statement of cash flows	**20,741,770**	**16,583,122**

At 31 December 2013, maturities of time deposits are less than three months (31 December 2012: less than one month). at 31 December 2013, interest rates applied to these time deposits ranged between 0.44% and 9.40% (31 December 2012: 5.50% - 8.20%, for domestic currency time deposits and 2.65% and 3% for foreign currency time deposits).

(Currency: Turkish Lira (“TL”) unless otherwise stated)

NOTE 10 MINIMUM FINANCE LEASE RECEIVABLE

At 31 December 2013 and 2012, minimum finance lease receivable comprised of the following:

	2013	**2012**
Finance lease receivable	197,717,679	111,284,410
Invoiced lease receivables	3,547,388	2,160,113
Total lease receivables	**193,245,798**	**111,485,598**
Impaired finance lease receivables	1,797,758	1,918,815
Gross finance lease receivables		**113,404,413**
Provision for impaired finance lease receivables	(1,052,649)	(768,670)
Unearned interest income	(24,656,905)	(14,459,045)
Minimum finance lease receivable, net	**177,355,434**	**100,135,623**

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:

	2013	**2012**
2013	-	44,016,402
2014	72,408,445	33,054,457
2015	45,382,922	19,333,039
2016	32,855,201	3,731,725
2017	17,664,312	-
2018 and above	9,044,554	-
Total payments	**177,355,434**	**100,135,623**

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:

	2013	**2012**
Opening balance	768,670	829,516
Provision for the year	642,639	150,909
Collections	(358,660)	(211,755)
Ending balance	**1,052,649**	**768,670**

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

NOTE 11 OTHER ASSETS

At 31 December 2013, other assets comprised the following:

	2013	2012
VAT receivable	2,883,035	3,000,863
Prepaid taxes	348,209	393,360
Prepaid expenses	285,639	146,741
Financial leasing insurance receivables	374,545	122,424
Personnel advances	109,690	81,870
Other assets	184,470	248,868
Total	**4,185,588**	**3,994,126**

NOTE 12 TANGIBLE ASSETS, NET

For the year ended 31 December 2013, the movement in tangible assets is as follows:

	Building	Furniture and Equipment	Motor Vehicles	Total
Cost:				
At 1 January 2013	4,137,026	277,245	180,261	4,594,532
Additions	-	29,173	-	28,048
Disposals	-	(697)	(100,212)	(100,878)
At 31 December 2013	**4,137,026**	**305,720**	**80,049**	**4,522,794**
Accumulated Depreciation				
At 1 January 2013	(89,623)	(108,429)	(131,273)	(328,199)
Depreciation for the year	(82,741)	(47,814)	(16,010)	(146,565)
Disposals	-	697	96,326	96,993
At 31 December 2013	**(172,364)**	**(155,545)**	**(50,956)**	**(378,865)**
Net carrying value:				
At 31 December 2013	**3,964,661**	**150,175**	**29,093**	**4,143,929**

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**

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

NOTE 13 INTANGIBLE ASSETS, NET

For the year ended 31 December 2013, the movement of intangible assets is as follows:

	Software
Cost:	
At 1 January 2013	87,409
Additions	269,240
Disposals	-
At 31 December 2013	**356,649**
Accumulated Amortization	
At 1 January 2013	(66,768)
Amortization for the year	(49,385)
Disposals	-
At 31 December 2013	**(116,153)**
Net carrying value:	
At 31 December 2013	**240,496**

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 2012	(62,459)
Amortization for the year	(4,309)
Disposals	-
At 31 December 2012	**(66,768)**
Net carrying value:	
At 31 December 2012	**20,641**

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

NOTE 14 BORROWINGS

At 31 December 2013, bank borrowings comprised the following:

	Effective interest rate	Balance in original	Balane1 in TL
Fixed rate borrowings:			
USD	3.25	5,042,431	10,762,060
EUR	2.90 - 4.75	17,124,558	50,286,265
TL	8.75	3,214,097	3,214,097
Floating rate borrowings:			
USD	1.74 - 3.25	9,422,097	20,109,581
EUR	1.71 - 4.75	15,417,974	45,274,880
Total Borrowings			**129,646,883**

At 31 December 2012, bank borrowings comprised the following:

	Balance in Original	Interest rates range	Total
Fixed rate borrowings:			
USD	5,000,000	5.50%	9,051,894
EUR	7,000,000	4-4.5%	16,517,557
Floating rate borrowings:			
USD	6,869,670	1.81-3.36%	12,270,577
EUR	16,008,510	1.47-3.20%	37,836,240
Total Borrowings			**75,676,268**

As of 31 December 2013, no guarantees were given to lending institutions as collateral against loans obtained (31 December 2012: no guarantees were given to lending institutions as collateral against loans obtained).

NOTE 15 TRADE AND OTHER PAYABLES

At 31 December 2013 and 2012, trade payables comprised of the following:

	2013	2012
Payables to suppliers	6,332,145	612,741
Finance lease invoices	-	194,818
Advances received	1,789,271	232,721
Other payables	102,781	48,731
Total	**8,224,197**	**1,089,011**

NOTE 16 OTHER LIABILITIES

At 31 December 2013 other liabilities comprised of TL 233,722 (31 December 2012: TL 148,081) taxes and funds payable other than income.

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

NOTE 17 EMPLOYEE BENEFITS

Provision for Termination Indemnities:

Under the Turkish Labour Law, the Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires at the retirement age (58 for women and 60 for men). Since the legislation was changed on 8 September 1999, there are certain transitional provisions relating to length of service prior to retirement. The amount payable consists of one month's salary limited to a maximum of TL3,254.44 as of 31 December 2013 (31 December 2012: TL 3,033.98) for each year of service.

The liability has no legal funding requirement.

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

International Accounting Standards require actuarial valuation methods to be developed to estimate the enterprise's obligation for such benefits. Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

The principal assumption is that the maximum liability for each year service, set as of 1 January 2006, will be increased in line with inflation. Accordingly, the discount rate used represents a level apart from inflation. As the maximum liability is revised semi-annually the maximum amount of TL 3,438.22 as of 1 January 2014 (1 January 2013: TL 3,129.25) has been taken into consideration in calculating the provision for employment termination benefits of the Company at 31 December 2012 and 2012, employee benefits comprised of the following:

Movement of the provision for employment termination benefits is as follows:

	2013	**2012**
Vacation pay liability	491,669	456,642
Reserve for employee severance indemnity	393,925	318,192
Reserve for employee severance indemnity for expatriates	267,961	131,931
Total	**1,153,555**	**906,765**

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

	2013	**2012**
Opening balance	318,192	244,807
Service cost	19,505	54,612
Interest cost	29,544	18,361
Paid during the year	-	(67,022)
Actuarial gains	26,684	67,434
Ending balance	**393,925**	**318,192**

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

NOTE 18 SHAREHOLDERS' EQUITY

Share capital

At 31 December 2013, 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:

	2013		2012	
	Shares (%)	**Nominal amount**	**Shares (%)**	**Nominal amount**
Arap Türk Bankası A.Ş.	99.98	60,667,864	99.98	34,493,100
Salih Hatipoğlu	0.005	3,034	0.005	1,725
Mehmet Muzaffer Haşim	-	-	0.005	1,725
Erdem Özenci	0.005	3,034		
Feyzullah Küpeli	0.005	3,034	0.005	1,725
Aziz Aydoğduoğlu	0.005	3,034	0.005	1,725
Total paid-in share capital	**100**	**60,680,000**	**100**	**34,500,000**

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 2013, the Company's statutory legal reserves amounted to TL 1,786,707 (31 December 2012: TL 1,748,879).

NOTE 19 FINANCIAL RISK MANAGEMENT

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

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.

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

NOTE 19 FINANCIAL RISK MANAGEMENT (Continued)

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.

The collaterals other than the assets subject to finance lease contracts obtained for the finance lease receivables as of 31 December 2013 and 2012 are as follows:

	2013	**2012**
Promissory notes	386,304,191	239,682,860
Pledges	94,795,243	66,808,284
Pledges on vehicles	1,589,526	120,000
Guaranty cheques	473,182	582,310
Letters of guarantees received	20,000	120,000
Pledges on deposits	-	42,337
Total	**483,182,142**	**307,355,791**

As at 31 December 2013 and 2012, sectoral distribution for the performing finance lease receivables is as follows:

	2013	**%**	**2012**	**%**
Production	85,971,049	44	47,819,622	43
Agriculture	40,481,894	21	20,362,112	18
Construction	32,351,818	17	19,298,860	17
Real Estate	14,978,520	8	-	-
Health and Social Services	7,631,819	4	-	-
Transportation	2,203,259	1	-	-
Education	312,888	-	-	-
Textile	76,068	-	5,523,345	5
Food and beverage	48,768	-	1,830,352	2
Energy	14,857	-	-	-
Press	-	-	6,742,465	6
Other	9,174,858	5	11,867,767	9
Total	**193,245,798**	**100**	**113,444,523**	**100**

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

NOTE 19 FINANCIAL RISK MANAGEMENT (Continued)

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 2013, the Company's foreign currency assets and liabilities may be analyzed as follows (TL equivalents):

	USD	EUR	Total
Assets			
Cash and cash equivalents	342,154	5,090,270	5,432,424
Finance lease receivable	31,375,667	98,300,678	129,676,345
Other assets	106,652	397,022	503,674
Total assets	**31,824,473**	**103,787,970**	**135,612,443**
Liabilities			
Bank borrowings	30,871,640	95,561,146	126,432,786
Trade payables	374,374	7,048,352	7,422,726
Provisions	267,961	-	267,961
Total liabilities	**31,513,975**	**102,609,498**	**134,123,473**
Net balance sheet position	**310,498**	**1,178,473**	**1,488,970**

Foreign currency risk (continued)

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**	**55,362,864**	**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)

NOTE 19 FINANCIAL RISK MANAGEMENT (Continued)

Currency risk sensitivity analysis

A 1 percent devaluation of the TL against the following currencies as at 31 December 2013 and 2012 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.

	2013 Profit or loss	**2012 Profit or loss**
USD	31,050	(20,242)
EUR	117,847	39,897
Total	**148,897**	**19,655**

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 2013, 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	19,407,757	-	-	-	-	1,334,013	20,741,770
Finance lease receivables	17,373,570	14,779,633	14,724,206	30,271,757	99,856,127	-	177,005,293
Other assets	-	-	-	-	-	4,535,731	4,535,731
Total Assets	**36,781,327**	**14,779,633**	**14,724,206**	**30,271,757**	**99,856,127**	**5,869,744**	**202,282,794**
Liabilities:							
Bank borrowings	29,317,280	48,302,207	46,144,323		5,883,073	-	129,646,883
Trade payables	-	-	-	-	-	8,224,196	8,224,196
Other liabilities	-	-	-	-	-	233,722	233,722
Total Liabilities	**29,317,280**	**48,302,207**	**46,144,323**		**5,883,073**	**8,457,918**	**138,104,801**
Net interest position	**7,464,047**	**(33,522,574)**	**(31,420,117)**	**30,271,757**	**93,973,054**	**(2,588,174)**	**64,177,993**

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)

NOTE 19 FINANCIAL RISK MANAGEMENT (Continued)

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 2013. The other variables, especially exchanges rates, are assumed to be fixed in this analysis. The same method is applied for 31 December 2012.

	2013		2012	
	100 bp increase	**100 bp decrease**	**100 bp increase**	**100 bp decrease**
Floating rate finance lease receivables	-	-	-	-
Floating rate financial liabilities	1,745,350	(1,745,350)	1,286,738	(1,286,738)
Total, net	**1,745,350**	**(1,745,350)**	**1,286,738**	**(1,286,738)**

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.

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 2013	Book Value	Gross Nominal Outflow	Up to 1 Month	1-3 Months	3-12 Months	1-5 Years
Borrowings	129,646,883	129,646,883	-	38,819,125	50,433,673	40,394,085
Trade payables	8,224,197	8,224,197	8,224,197	-	-	-
Total	**137,871,080**	**137,871,080**	**8,224,197**	**38,819,125**	**50,433,673**	**40,394,085**

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**

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

NOTE 20 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:

	2013	**2012**
EURO	-	-
USD	9,843,249	356,520

Letters of guarantee:
At 31 December 2012, letters of guarantee amounting to TL 21,400 (31 December 2012: TL 329,261) were given mainly to customs authorities and insurance companies.

NOTE 21 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:

	2013	**2012**
T. İş Bankası AŞ	2,574,459	1,136,761
Arap Türk Bankası AŞ	126,270	98,131
TC Ziraat Bankası AŞ	29,594	5,679
Total	**2,730,323**	**1,240,571**

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

	2013	**2012**
Borrowings	114,473,847	65,989,025
Finance lease receivable	6,464,728	1,269,047
Total	**120,938,575**	**67,258,072**

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

NOTE 21 RELATED PARTIES (Continued)

As of 31 December 2013 maturity of the loans obtained from related banks vary between 8 January 2013 and 31 December 2015. (31 December 2012: 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:

	2013	**2012**
Income		
Interest income on time deposits	577,559	174,327
Finance lease interest income	84,237	86,502
Expense		
Interest expense on borrowings	2,472,124	2,170,373
Off-balance sheet		
Letter of guarantee	-	658,522

For the year ended 31 December 2013, the Company paid to executive members and key management personnel amounting to TL 908,195 (31 December 2012: TL 904,970) as fringe benefit.

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