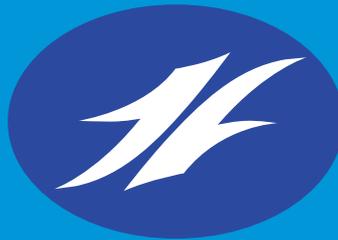


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2003

**2003 has been a year of steady and sustained growth allowing us to broaden our horizons.**



A&T FİNANSAL KİRALAMA A.Ş.

## ANATOMY

"Those who are adamant in their views cannot find many people to compromise with."

Complexity of the upcoming problems, structure of your resources, and time add new dimensions to the way you cope with the future. Only the institutions that can manage their resources rationally can grow and enhance. The main determinant of qualified services is the human element. In the times of volatile changes and developments, failing to foresee the future and adapt to the changes can be very costly for corporations. If your aim is to make profit, grow and maintain consistency, and if you plan to make investments to achieve these aims, A&T Leasing is the right choice as the heart of your business world.

### EXTENSIVE FINANCIAL SUPPORT

"Institutions can survive as long as they are able to manage their sources efficiently."

### NEW HORIZONS

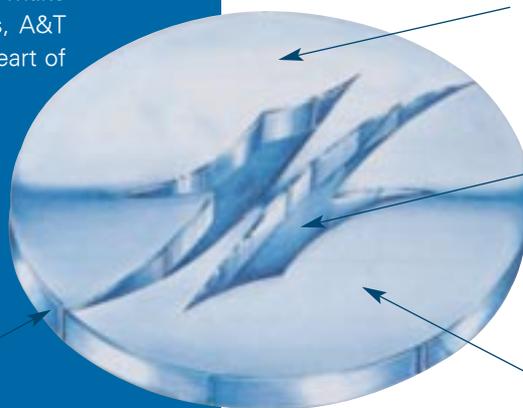
"The future is unpredictable and it cannot be foretold how the new developments may affect your business activities."

### QUALIFIED SERVICE AND GUARANTEE

"The customer who is satisfied with the quality of the services is priceless."

### HEART OF YOUR BUSINESS WORLD

"If you do not know where you're headed, no road can take you there."



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## BOARD OF DIRECTORS & GENERAL MANAGEMENT

### BOARD OF DIRECTORS

#### Chairman

Mr. Hakan Barut

*(Branch Manager at Türkiye İş Bankası and a Board Member  
at Arab Turkish Bank)*

#### Deputy Chairman

Mr. Najib H. EL-JAMAL

*(General Manager of Arab Turkish Bank)*

#### Members

Mr. Abdullatif EL-KIB

*(Deputy Chairman of Libyan Arab Foreign Bank)*

Mr. Nuri GÜZVELİ

*(Assistant General Manager of Arab Turkish Bank)*

Mr. Ihsan BİLİCİ

*(General Manager of A&T Finansal Kiralama A.Ş.)*

### GENERAL MANAGEMENT

Mr. Ihsan BİLİCİ

*General Manager of A&T Finansal Kiralama A.Ş.*

Mr. Suleiman E. S. AZZBI

*Deputy General Manager of A&T Finansal Kiralama A.Ş.*



## CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present A&T Finansal Kiralama A.Ş.'s seventh annual report covering the accounting year ended on December 31, 2003.

Despite the ongoing global economic stagnation for a many countries around the world, 2003 has been a year of growth for our Company, which enabled us to sustain our frontrunner position in Turkey's leasing sector. The Turkish economy has demonstrated a remarkable resilience with mounting confidence in the marketplace while interest rates fell sharply. In the second half of the year, both economic growth and inflationary targets surpassed all estimates. International reserves were augmented at the Central Bank of Turkey as the Treasury's debt rollover capability increased significantly.

The government approved the budget for 2004, consistent with meeting the primary surplus target. Maintaining fiscal discipline will continue to receive utmost importance while the economic program requirements will be fully complied with, facilitating both lower interest rates and debt sustainability.

The Central Bank's management of the country's monetary policy has been impressive, with inflation rates falling to their lowest levels in 25 years. Enhanced credibility of the Central Bank, the government's continued commitment to fiscal discipline and wage

moderation in both public and private sectors, should contribute significantly toward achieving next year's 12% inflation target, with the prospect of single digit inflation following shortly thereafter.

Since the beginning of 2003, the Turkish economy began a period of rapid recovery under competent hands. The Turkish lira has appreciated 20% against the US dollar, interest rates have more than halved and investment has risen. Indications are that the backlash from the 2001 crisis has finally ceased - the strengthened lira has been good news for Turkey's debt servicing. All participants in the economy believe that, in the foreseeable future, this trend will continue yielding positive results.

During 2003, the Ministry of Finance issued a new resolution that radically influenced the leasing market. Basically, this resolution ends the deduction of lease payments (rents) from the corporate tax base. The new implementation decreased the number of companies in the market as it simultaneously increased competition.

Closely following trends in the economy, we have pursued an operational strategy to improve performance. Since our inception in July 1997, we have grown steadily pursuing the guidelines set forth in our long-term business strategy, achieved high profitability and avoided uncalculated risks at all times. A&T Finansal Kiralama A.Ş.'s strategy is based on managing and hedging financial risk. We have adhered to a flexible policy that calculates cost, return and risk factors, contemporaneously. This has resulted in a highly profitable year, elucidating for our move toward being one of the frontrunner leasing companies in Turkey.

We firmly believe that the policy we have pursued and the decisions we have taken over the last six years have been the accurate ones - evinced by the solid financial footing that we now stand upon.



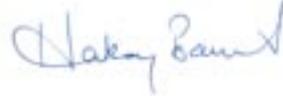
***Our good reputation among clients and creditor institutions, the professional skill of our personnel plus the focused nature of our business plans will provide the means to make significant gains in the coming years.***

In compliance with our growth strategy in the leasing sector, our marketing policy targets disparate sectors in an effort to diversify risk - the cornerstone of a high-quality portfolio. We have consistently emphasized asset quality. Companies with solid backgrounds, trustworthy reputations and strong financial positions have essentially formed the foundation of our customer portfolio. Successive portfolio expansion activities have targeted this distinguished client group.

As we look at Turkey's economy and leasing sector this year, our results for 2003 have proven very satisfactory, registering a 109% rate of growth in new lease contracts that total US\$ 26 million for the period. The highly competitive leasing business in Turkey is a rapidly growing sector. Thanks to the diligent efforts of our staff and management, we have established a solid base of customers from diverse industries and achieved sound operational and financial results.

Our good reputation among clients and creditor institutions, the professional skill of our personnel plus the focused nature of our business plans will provide the means to make significant gains in the coming years. We are confident that A&T Finansal Kiralama A.Ş. will continue to improve its performance levels.

I would like to express special gratitude to our management for all their efforts and our staff members for their hard work and dedication. Appreciation must also be extended to our shareholders, customers and creditor institutions, both in Turkey and abroad, for their continued support, co-operation and high levels of confidence.



Hakan Barut  
Chairman



*A&T Finansal Kiralama A.Ş. enjoys a high degree of creditability in domestic and international financial markets. This reputation for reliability was earned by superior relationships with numerous creditor institutions over the past years.*



## FINANCIAL HIGHLIGHTS AND KEY INDICATORS

(TL millions)

At the year's end	2003	2002	2001
Due from Banks & Marketable Sec.	13,756,994	15,182,128	11,637,977
Net Leasing Investment	31,741,449	17,981,905	11,386,535
Total Assets	47,109,090	34,511,921	24,036,509
Short-term Loans	21,638,225	6,022,401	14,456,762
Medium-term Loans	12,717,853	21,938,273	4,483,240
Total Loans	34,356,078	27,960,674	18,940,002
Total Liabilities	36,159,686	28,788,157	19,739,470
Paid-up Capital	6,000,000	2,000,000	2,000,000
Shareholders' Equity	10,949,404	5,723,764	4,297,039

For the year	2003	2002	2001
Leasing Interest & Commission	3,360,261	2,099,681	2,907,617
Interest from Banks & Marketable Sec.	2,726,206	2,200,745	2,343,496
Total Income	6,086,467	4,300,426	5,251,113
Interest Expense	1,046,641	974,395	1,916,642
Total Expense	3,358,320	2,658,435	3,303,227
Net Income Before Tax	2,728,147	1,641,991	1,947,886
Net Income After Tax	2,075,640	1,426,725	1,918,514

### Key Indicators

Financial Ratios	Dec. 31, 2003	Dec. 31, 2002	Dec. 31, 2001
Growth	37%	30%	62%
Return on Assets	4.4%	4.1%	8%
Return on Equity	19%	25%	45%
Leasing Interest / Total Income	55%	49%	43%
Interest from Banks & Marketable Sec. / Banks & Marketable Sec.	19%	14%	20%
Interest from Banks & Marketable Sec. / Total Income	45%	51%	45%
Interest Expense / Total Income	17%	22%	36%

Financial statements of A&T Finansal Kiralama A.Ş. have been prepared in accordance with IAS 17.



## ACTIVITIES IN 2003

### BUSINESS PERFORMANCE

A&T Finansal Kiralama A.Ş. continued its strategy of expanding the business portfolio utilizing modern marketing tools convinced that 'We are here to serve our customers.' Observing that the economic conditions were improving and self-confidence of the markets became realistic even though the business opportunities shrinking in the local markets, A&T Finansal Kiralama A.Ş. managed to swiftly increase its market penetration. The management believes that by augmenting its market share, the Company will become significantly more resilient to any economic problems the country may encounter in the years ahead. Concentrating on leasing transactions tailored to the specific requirements of its clients, A&T Finansal Kiralama A.Ş. achieved noteworthy results in 2003.

Especially after the number of active leasing companies increased, competition in the marketplace intensified during 2003. The downward trend in interest rates on time deposits and marketable securities will continue in the short-run and will eventually bring down interest rates in leasing transactions.

In 2003, A&T Finansal Kiralama A.Ş. took the significant step of extending its business reach by strategically concentrating on medium-scale customers. Every effort has been made to maximize and exploit the synergy arising from the Company's activities and that of its parent bank. Total business volume registered a 109% increase amounting to US\$ 26 million for the period.

### FUNDING

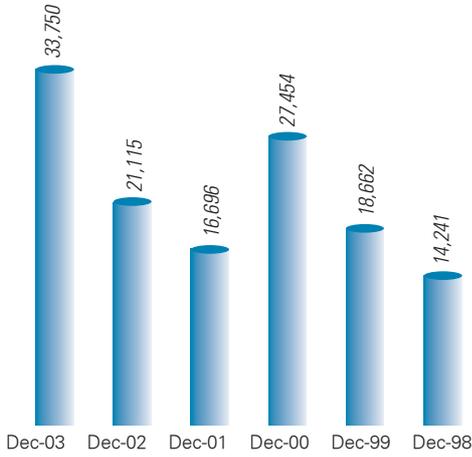
A&T Finansal Kiralama A.Ş. continued to utilize medium-term funding throughout the year. Borrowed funds were primarily used to finance leasing transactions. Occasionally, excess funds arising from routine operations and shareholder funds were invested in risk-free money market instruments to benefit from additional income. A&T Finansal Kiralama A.Ş. enjoys a high degree of creditability in domestic and international financial markets, earned by excellent relationships with numerous creditor institutions over the past years.

A&T Finansal Kiralama A.Ş. successfully passed through several severe economic crises in Turkey during the past few years. Currently, the Company is enjoying a client portfolio composed of prime-rated companies, favorable financial results and a solid market standing. With qualities such as these, securing financing from overseas sources at favorable terms and conditions has not been difficult for A&T Finansal Kiralama A.Ş.. Most of the borrowing facilities from a number of well-respected banks have been established without Letters of Guarantee; these sources see the Company's strong financial position as the sole collateral for their credit lines. Despite some volatility in the markets, the Company repayed its credit on due dates; new lines were secured promptly. The fund managers at A&T Finansal Kiralama A.Ş. are cautious to avoid any maturity mismatches, interest rate differentials and open currency positions in an effort to have high liquidity at all times.



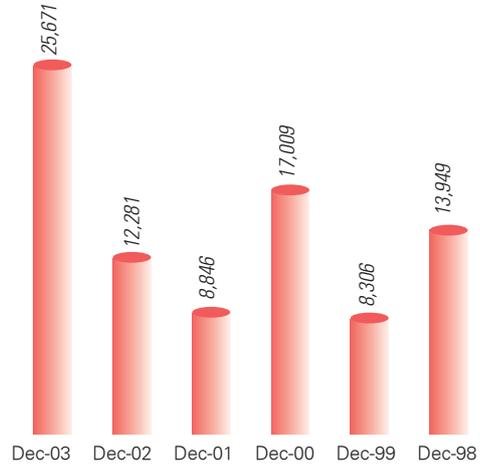


## ASSETS AND LIABILITIES



### Total Assets In Thousands of US Dollars

Total assets demonstrated solid growth in 2003, increasing 37% from TL 34,512 billion (US\$ 21.1 million) to TL 47,109 billion (US\$ 33.7 million). Outstanding lease receivables accounted for 76% of total assets in the same period.



### Outstanding Lease Receivables In Thousands of US Dollars

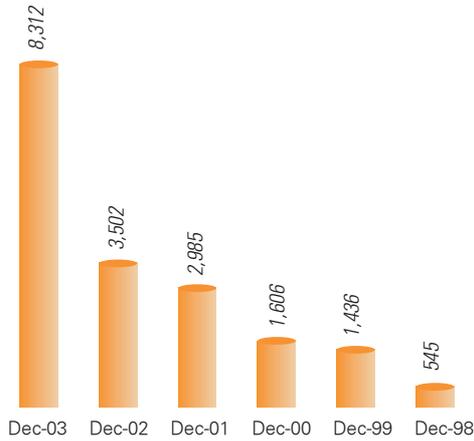
Outstanding lease receivables totaled TL 35,832 billion (US\$ 25.7 million), an increase of approximately 79% over the 2002 year-end figure of TL 20,073 billion (US\$ 12.3 million). As a matter of policy, A&T Finansal Kiralama A.Ş. actively seeks to maximize liquidity while at the same time developing long-term business relationships with customers. The Company has minimum overdue lease receivables in its books, evidence of the high quality of its assets.

Cash and due from banks accounted for 29% of total assets in 2003, registering a decrease from TL 15,182 billion (US\$ 9.3 million) in 2002 to TL 13,757 billion (US\$ 9.9 million) in 2003; this figure was 44% the previous year. This decline resulted from the Turkish lira / US dollar exchange rate, which decreased from TL 1,634,501 at the end of 2002 to TL 1,395,835 at the end of 2003.

The sources of balance sheet assets were made up mainly of short and medium-term bank borrowing, which stood at TL 34,356 billion (US\$ 24.6 million) at the end of the year representing approximately 73% of total assets. The Company will repay short-term loans during the coming year in an amount corresponding to 60% of total liabilities and 46% of total assets.



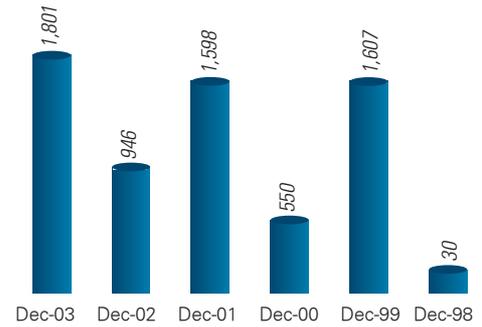
## SHAREHOLDERS' EQUITY



### Shareholders' Equity In Thousands of US Dollars

In June 2003, the paid-up capital of the Company was increased by TL 4,000 billion to reach TL 6,000 billion (US\$ 4.3 million). Paid-up capital has corresponded to 55% of its shareholders' equity and 25% of shareholders' equity is made up of previous years' profits and 1% of legal and extraordinary reserves. It has always been the Company's policy to maintain a good balance sheet structure and a strong capital base. At the end of 2003, the ratio of shareholders' equity to total assets reached 23%; it was 17% at the end of the previous year.

## INCOME AND EXPENSES



### Net Profit In Thousands of US Dollars

Total income of A&T Finansal Kiralama A.Ş. for the year 2003 amounted to TL 6,086 billion, which represented an increase of 42% over the past year. Noteworthy were the contributions made by leasing interest income and commissions, which were 55% of total income and 45% of interest received from banks and marketable securities.

A&T Finansal Kiralama A.Ş.'s shareholders' equity amounted to TL 10,949 billion (US\$ 7.8 million) at the end of 2003. A significant majority of A&T Finansal Kiralama A.Ş.'s shares (99.98%) are owned by Arab Turkish Bank, whose largest stockholders are Libyan Arab Foreign Bank and Türkiye İş Bankası. Despite ownership by two strong leading banks in their respective countries, A&T Finansal Kiralama A.Ş. operates as a completely autonomous entity.

As a reflection of successful operations during 2003, A&T Finansal Kiralama A.Ş. closed its accounting books for the 2003 financial year with a net after tax profit of TL 2,076 billion; this figure was TL 1,427 billion at the end of the previous year.



**Total Assets, Outstanding Lease Receivables, Leasing Revenue  
And Net Income in TL Trillions**



Leasing interest income and commissions grew by 60% over 2002 figures, climbing from TL 2,099 billion to TL 3,360 billion in 2003. On the expense side, due diligence was given to bring the ratio of staff costs to operating income in line with Turkish leasing market averages. Additionally, in order to fulfill personnel requirements the Company recruits its staff from among young candidates with strong academic backgrounds.

***A&T Finansal Kiralama A.Ş. has successfully passed through significant tests in the past few years when Turkey experienced severe economic crises.***



A&T FİNANSAL KİRALAMA A.Ş.

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2003

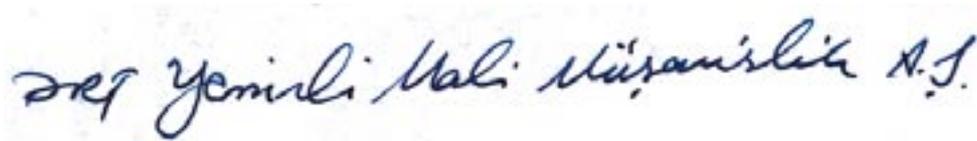


To the Board of Directors of,  
A&T Finansal Kiralama A.Ş.

İstanbul

## OPINION OF INDEPENDENT AUDITORS

1. We have audited the accompanying balance sheet of A&T Finansal Kiralama A.Ş. ('the Company') as at 31 December 2003 and the related statements of income, shareholders' equity and cash flows for the year then ended all expressed in the equivalent purchasing power of Turkish Lira as of 31 December 2003. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as at 31 December 2003, and the results of its operations and its cash flows for the year then ended, in conformity with International Financial Reporting Standards.



DRT DENETİM REVİZYON TASDİK  
YEMİNLİ MALİ MÜŞAVİRLİK A.Ş.

Member Firm of DELOITTE TOUCHE TOHMATSU

İstanbul, 6 February 2004

**A&T FİNANSAL KİRALAMA A.Ş.**  
**BALANCE SHEETS AS AT**  
**31 DECEMBER 2003 AND 2002**

ASSETS		31 December 2003 TL 000,000	31 December 2002 TL 000,000
	Note		
<b>CURRENT ASSETS</b>			
Cash and Banks	4	13,756,994	17,323,812
Short Term Lease Contracts Receivable (Net)	5	18,146,583	14,353,795
Other Receivables and Current Assets	6	602,589	707,758
<b>TOTAL CURRENT ASSETS</b>		<b>32,506,166</b>	<b>32,385,365</b>
<b>LONG TERM ASSETS</b>			
Long Term Lease Contracts Receivable (Net)	5	14,290,914	6,435,149
Property, Plant and Equipment (Net)	7	169,624	209,885
Other Long Term Assets	8	216,838	371,718
<b>TOTAL LONG TERM ASSETS</b>		<b>14,677,376</b>	<b>7,016,752</b>
<b>TOTAL ASSETS</b>		<b>47,183,542</b>	<b>39,402,117</b>

*The accompanying notes from an integral part of these financial statements.*

**A&T FİNANSAL KİRALAMA A.Ş.**  
**BALANCE SHEETS AS AT**  
**31 DECEMBER 2003 AND 2002**

**LIABILITIES & SHAREHOLDERS' EQUITY**

		31 December 2003 TL 000,000	31 December 2002 TL 000,000
	Note		
<b>CURRENT LIABILITIES</b>			
Short Term Borrowings	9	21,806,040	7,163,104
Trade Payables		755,956	221,307
Other Payables	10	159,272	113,474
Corporate Tax Payable	11	-	245,018
<b>TOTAL CURRENT LIABILITIES</b>		<b>22,721,268</b>	<b>7,742,903</b>
<b>LONG TERM LIABILITIES</b>			
Long Term Borrowings	9	12,717,853	24,996,994
Retirement Pay Provision	12	22,870	20,897
Deferred Tax Liability (Net)	11	625,714	650,731
<b>TOTAL LONG TERM LIABILITIES</b>		<b>13,366,437</b>	<b>25,668,622</b>
<b>SHAREHOLDERS' EQUITY</b>			
Share Capital	13	10,203,108	6,136,567
Legal Reserves	14	177,088	118,787
Retained Earnings/(Deficit)		715,641	(264,762)
<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>11,095,837</b>	<b>5,990,592</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>47,183,542</b>	<b>39,402,117</b>
<b>CONTINGENT LIABILITIES</b>	19	18,327,088	14,290,384

*The accompanying notes from an integral part of these financial statements.*

**A&T FİNANSAL KİRALAMA A.Ş.**  
**STATEMENTS OF INCOME FOR THE YEARS ENDED**  
**31 DECEMBER 2003 AND 2002**

REVENUES		1 January- 31 December 2003 TL 000,000	1 January- 31 December 2002 TL 000,000
	Note		
Income from Lease Operations		2,978,784	2,333,964
Income from Marketable Securities		51,557	66,105
Other Income		248,805	73,609
		<u>3,279,146</u>	<u>2,473,678</u>
<b>OPERATING EXPENSES</b>			
General and Administrative Expenses	15	(2,133,763)	(1,941,408)
Financial Income (Net)	16	1,617,784	1,459,972
Fees and Commissions Received (Net)		15,563	88,960
		<u>(500,416)</u>	<u>(392,476)</u>
INCOME BEFORE MONETARY LOSS		2,778,730	2,081,202
MONETARY LOSS		(839,544)	(1,815,734)
INCOME BEFORE TAXATION		1,939,186	265,468
TAXATION	11	(54,609)	(895,749)
<b>NET INCOME/(LOSS)</b>		<u>1,884,577</u>	<u>(630,281)</u>

*The accompanying notes from an integral part of these financial statements.*

A&T FİNANSAL KİRALAMA A.Ş.

STATEMENTS OF CHANGES IN SHAREHOLDERS EQUITY

31 DECEMBER 2003 AND 2002

	Capital TL 000,000	Legal Reserves TL 000,000	Retained Earnings/(Deficit) TL 000,000	Total TL 000,000
As at 31 December 2001	6,136,567	109,380	374,926	6,620,873
Increase in capital	-	-	-	-
Transfers to reserves	-	9,407	(9,407)	-
Loss for the year	-	-	(630,281)	(630,281)
As at 31 December 2002	6,136,567	118,787	(264,762)	5,990,592
Increase in capital	3,220,668	-	-	3,220,668
Transfers to capital	845,873	-	(845,873)	-
Transfers to reserves	-	58,301	(58,301)	-
Income for the year	-	-	1,884,577	1,884,577
As at 31 December 2003	10,203,108	177,088	715,641	11,095,837

*The accompanying notes from an integral part of these financial statements.*

**A&T FİNANSAL KİRALAMA A.Ş.**

**STATEMENTS OF CASH FLOWS FOR THE YEARS ENDED**

**31 DECEMBER 2003 AND 2002**

**CASH FLOWS FROM OPERATING ACTIVITIES**

	Note	1 January- 31 December 2003 TL 000,000	1 January- 31 December 2002 TL 000,000
Net income/(loss) for the year		1,884,577	(630,281)
Adjustments to reconcile net income to net cash (used in) provided by operating activities			
Depreciation and amortization	15	66,933	105,300
Retirement pay provision (net off monetary gain)	12	1,973	9,062
Taxation	11	(245,018)	201,228
Changes in assets and liabilities:			
Short term lease contracts	5	(3,792,788)	(1,332,936)
Long term lease contracts	5	(7,855,765)	(2,008,589)
Other assets and prepayments	6	105,169	15,050
Other long term assets	8	154,880	(355,572)
Accounts and lease payables		534,649	33,986
Other liabilities and accrued expenses	10	45,798	(120,438)
Deferred tax liability	11	(25,017)	650,731
Net cash generated/(used) in operating activities		(9,124,609)	(3,432,459)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Changes in marketable securities		-	783,436
Purchases of property, plant and equipment (net)	7	(26,672)	21,394
<b>Net cash generated/(used) in investing activities</b>		<b>(26,672)</b>	<b>804,830</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Increase in share capital	13	4,066,541	-
Change in borrowings (net)	9	2,363,795	3,240,214
Transfer from reserves		(845,873)	-
<b>Net cash provided by financing activities</b>		<b>5,584,463</b>	<b>3,240,214</b>
NET CHANGE IN CASH AND BANKS		(3,566,818)	612,585
CASH AND BANKS AT THE BEGINNING OF YEAR		17,323,812	16,711,227
<b>CASH AND BANKS AT THE END OF YEAR</b>		<b>13,756,994</b>	<b>17,323,812</b>

*The accompanying notes from an integral part of these financial statements.*

**A&T FİNANSAL KİRALAMA A.Ş.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002**

**1. THE COMPANY**

A&T Finansal Kiralama A.Ş. (the Company) was incorporated on 4 July 1997 in Turkey and operates under the provisions of the Turkish financial leasing law No. 3226. The company's head office is located in Istanbul, Turkey. The main shareholder of the Company is Arap Türk Bankası A.Ş. ("the Bank") with an ownership percentage of 99%. The main shareholders of the Bank are Libyan and Kuwaitan foreign investors, and some Turkish investors : Türkiye İş Bankası A.Ş., Türkiye Ziraat Bankası A.Ş. and Tekfenbank A.Ş. The number of personnel working for the Company as at 31 December 2003 is 13.

**2. BASIS OF FINANCIAL STATEMENTS**

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") (formerly referred to as International Accounting Standards, IAS). The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below:

**Basis of Presentation of Financial Statements**

The Company maintains its books of account and prepares its statutory financial statements ("Statutory Financial Statements") in accordance with accounting principles in the Turkish Commercial Code (the "TCC") and tax legislation (collectively, "Turkish Practices"). The accompanying financial statements are based on the statutory records which are maintained under the historical cost convention (except for the revaluation of property, plant and equipment for companies incorporated in Turkey as discussed in note 3) with adjustments and reclassifications, including restatement for the changes in the general purchasing power of the Turkish Lira for the purpose of fair presentation in accordance with IFRS.

**Inflation Accounting**

In the accompanying financial statements, restatement adjustments have been made to compensate for the effect of changes in the general purchasing power of the Turkish Lira, as of the balance sheet date, in accordance with International Accounting Standard No. 29 "Financial Reporting in Hyperinflationary Economies" ("IAS 29").

One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. Such cumulative rate in Turkey has been 181% for the three years ended 31 December 2003, based on the wholesale price index announced by the Turkish State Institute of Statistics. IAS 29 requires that financial statements be stated in terms of the measuring unit current at the balance sheet date and corresponding figures for previous periods be restated in the same terms by applying a general price index. The restatement adjustments are calculated by using the wholesale price index ("WPI") announced by the Turkish State Institute of Statistics (1994=100).

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**2. BASIS OF FINANCIAL STATEMENTS (cont'd)**

Inflation Accounting (cont'd)

The index and corresponding conversion factors for recent year ends to reach balance sheet date money values are as follows:

	Index	Conversion factor
31 December 2000	2,626.0	2.8112
31 December 2001	4,951.7	1.4908
31 December 2002	6,478.8	1.1394
31 December 2003	7,182.1	1.0000

The comparative rates of currency deflation of the Turkish Lira against the US Dollar, compared with the rates of general price inflation in Turkey according to the WPI are set out below:

Year:	2003	2002	2001	2000
Currency Deflation US\$	(14.6)%	13.5%	114.3%	24.3%
WPI Inflation	13.9%	30.8%	88.6%	32.6%

The principal adjustments related with inflation accounting are as follows:

- All amounts not already expressed in terms of the measuring unit current at the balance sheet date are restated by applying a general price index (the WPI). Corresponding figures for previous periods are similarly restated.
- Monetary assets and liabilities are not restated because they are already expressed in terms of the monetary unit current at the balance sheet date. Monetary items are money held and items to be received or paid in money.
- Non-monetary assets and liabilities and the components of shareholders' equity are restated by applying, to the initial acquisition cost and any accumulated depreciation, the relevant conversion factors reflecting the increase in the WPI from the date of acquisition or initial recording to the balance sheet date. Revaluations made on any other basis in the statutory records are eliminated.
- All items in the statements of income are restated by applying the relevant conversion factors.
- The effect of general inflation on the Company's net monetary position is included in the statement of income as monetary gain or loss.

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**3. PRINCIPAL ACCOUNTING POLICIES**

**3.1 Accounting Convention**

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards. Effect has been given in the financial statements to adjustments and reclassifications, which have not been entered in the general books of account of the Company, in conformity with accounting practices prevailing in Turkey as set out in note 2.

**3.2 Revenue Recognition**

Assets held under finance lease are recognized in the balance sheet as a receivable at an amount equal to the net investment in the lease, which is equal to the minimum lease rentals receivable over the lease term less unearned finance income. Finance income under finance leases represents the part of unearned income amortized over the lease term by applying a rate of return that is constant during the lease term. The unearned income represents the excess of total lease rental payments over the cost of the leased asset. Rate of return represents the discount rate of such rental payments to the cost of the leased asset at the lease commencement date.

**3.3 Trade Receivables**

Trade receivables are carried at anticipated realizable value that is the net of trade receivables measured by the amortized cost method using the effective interest rate in accordance with IAS 39 and allowance for doubtful receivables. The allowance for doubtful receivables is based on management's evaluation of the receivables, including such factors as the volume and type of receivable outstanding, collateral obtained, past experience and economic conditions. Bad debts are written off during the year in which they are identified.

**3.4 Property, Plant and Equipment**

Property, plant and equipment are carried at indexed historical cost. Property, plant and equipment are carried at restated cost less restated depreciation at the equivalent purchasing power as at the reporting date. Property, plant and equipment are depreciated principally on a straight-line basis using the following rates, which amortize the assets over their expected useful lives:

Vehicles	20%
Furniture and fittings	20%
Leased assets	lease term or 20%

Gains or losses on disposal of property, plant and equipment with respect to their restated amounts are included in the related income and expense accounts, as appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

Expenses for the repair of property, plant and equipment are normally charged against income.

3. PRINCIPAL ACCOUNTING POLICIES (cont'd)

3.5 Impairment of Assets

Long Term assets other than deferred tax assets and financial assets are tested for impairment according to the provisions of IAS 36 ("Impairment of Assets"). IAS 36 requires an impairment loss to be recognized whenever the carrying amount of an asset exceeds its recoverable amount. Recoverable amount of an asset is the higher of an asset's net selling price and its value in use. Value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset and from its disposal at the end of its life.

3.6 Foreign Currency Transactions

Foreign currency transactions are converted into Turkish Lira at exchange rates prevailing at the transaction dates. Assets and liabilities denominated in foreign currencies at the year-end are converted into Turkish Lira at year-end Central Bank rates. Gains and losses resulting from such conversions are included in the statement of income.

The ending and average TL to US Dollar exchange rates are as follows:

	Ending Rate	Average Rate
31 December 2000	671,765	621,911
31 December 2001	1,439,567	1,200,341
31 December 2002	1,634,501	1,507,915
31 December 2003	1,395,835	1,491,397

3.7 Taxation and Deferred Taxes

Provision is made in the accompanying financial statements for the estimated liability of the Company for Turkish taxes on the results for the year, using tax rates that have been enacted or substantively enacted by the balance sheet date. The charge for current tax is based on the results for the year as adjusted for items which are non-assessable or disallowed.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the computation of taxable profit. Temporary differences arise in respect of items not taxable or tax-deductible until the following year or years.

In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction which affects neither the tax profit nor the accounting profit.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled. Deferred tax is charged or credited in the income statement,

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**3. PRINCIPAL ACCOUNTING POLICIES (cont'd)**

3.7 Taxation and Deferred Taxes (cont'd)

except when it relates to items credited or charged directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

3.8 Financial Instruments

The term financial instruments include both financial assets and financial liabilities. Financial instruments create, modify or reduce the liquidity, credit and market risks of the Company's balance sheet. All financial assets are reviewed periodically for impairment.

Fair value is the amount for which an asset could be exchanged or a liability settled, between knowledgeable willing parties in an arms length transaction. Market value is the amount obtainable from the sale, or payable on the acquisition, of a financial instrument in an active market, if one exists.

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

Balances with banks, receivables, contingent liabilities like letters of guarantee are important financial instruments which would have negative effects on the financial structure of the Company if the other party failed to comply with the terms and conditions of the agreement.

The fair values of certain financial assets carried at cost are considered to be representative of carrying values due to their short-term nature.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate fair value.

**Cash and Bank Balances:** Cash and bank balances denominated in foreign currencies are translated at year-end exchange rates. The carrying amounts of the remaining cash and bank balances are reasonable estimates of their fair value.

**Lease Contract Receivables:** Values of the lease contract receivables determined according to agreements along with the related allowances for uncollectibility and trade payables balances are estimated to be their fair values. Leasing agreements involve a predetermined interest rate.

**Trade Receivables and Trade Payables:** Book values of the trade receivables along with the related allowances for uncollectibility and trade payables balances are estimated to be their fair

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**3. PRINCIPAL ACCOUNTING POLICIES (cont'd)**

**3.8 Financial Instruments (cont'd)**

values, except receivables and payables discounted to their present value when they have significant credit periods.

Borrowings: Borrowings have interest rates that are fixed on an entry value basis but may be subject to fluctuation in accordance with prevailing interest rates in the market. Interest-bearing bank loans and overdrafts are recorded at the proceeds received. Finance charges are accounted for on an accrual basis and are added to the carrying amount of the instrument to the extent they are not settled in the period in which they arise.

**3.9 Retirement Pay Provision**

Under Turkish legislation as supplemented by union agreements, lump sum payments are made to all employees who retire or whose employment is terminated without due cause. Such payments are based on number of years' service and final salary at the date of retirement or leaving.

In accordance with IAS 19, an expected inflation rate and an appropriate discount rate should both be determined, the net of these being the real discount rate. This real discount rate should be used to discount future retirement payments to their present value at the balance sheet date.

**3.10 Related Parties**

For the purpose of the accompanying financial statements, related parties of the Company are defined as Arap Türk Bankası, the main shareholder, and its participations.

**3.11 Offsetting**

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

**3.12 Use of Estimates**

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

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4. CASH AND BANKS

	31 December 2003 TL 000,000	31 December 2002 TL 000,000
Cash	83	254
Banks – Demand Deposits	533,104	275,973
Banks – Time Deposits	13,100,487	17,022,651
Banks – Interest Accruals	123,320	24,934
	<u>13,756,994</u>	<u>17,323,812</u>

31 December 2003 Currency	Maturity	Amount TL 000,000
TL	2.1-9.2.2004	11,087,352
US\$	02.01.2004	367,598
EUR	9.1-30.01.2004	1,645,537
Total		<u>13,100,487</u>

31 December 2002 Currency	Maturity	Amount TL 000,000
TL	2-6.1.2003	4,741,732
US\$	10-27.1.2003	764,140
EUR	6.1-6.2.2003	11,516,779
Total		<u>17,022,651</u>

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NOTES TO THE FINANCIAL STATEMENTS

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5. LEASE CONTRACTS RECEIVABLE

	31 December 2003 TL 000,000	31 December 2002 TL 000,000
Lease rental payment receivables	36,528,061	23,172,120
Less: Unearned interest income	(4,090,564)	(2,383,176)
Net lease contract receivables	<u>32,437,497</u>	<u>20,788,944</u>
Short term lease contracts receivable	18,146,583	14,353,795
Long term lease contracts receivable	14,290,914	6,435,149
Total	<u>32,437,497</u>	<u>20,788,944</u>

31 December 2003	Short Term TL 000,000	Long Term TL 000,000	Total TL 000,000
Invoiced leased rental receivables	311,863	-	311,863
Uninvoiced leased rental receivables	20,617,495	15,598,703	36,216,198
Less: Unearned interest income	(2,782,775)	(1,307,789)	(4,090,564)
Net lease contracts receivable	<u>18,146,583</u>	<u>14,290,914</u>	<u>32,437,497</u>

A summary of uninvoiced lease contracts receivable as of 31 December 2003 is as follows:

	2004 TL 000,000	2005 TL 000,000	2006 TL 000,000	2007 TL 000,000	Total TL 000,000
Rentals (principal)	17,834,720	10,519,674	3,632,898	138,342	32,125,634
Unearned interest	2,782,775	987,897	271,070	48,822	4,090,564
Total	<u>20,617,495</u>	<u>11,507,571</u>	<u>3,903,968</u>	<u>187,164</u>	<u>36,216,198</u>

As of 31 December 2003, the leasing receivables by foreign currency types are as stated below:

Currency Type	Capital Foreign Currency	Capital TL 000,000	Interest Foreign Currency	Interest TL 000,000
US\$	6,322,046	8,824,533	774,766	1,081,446
EURO	12,357,093	21,564,017	1,595,477	2,784,222
TL	-	1,737,084	-	224,896
Total		<u>32,125,634</u>		<u>4,090,564</u>

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6. OTHER RECEIVABLES AND CURRENT ASSETS

	31 December 2003 TL 000,000	31 December 2002 TL 000,000
Prepaid expenses	36,489	35,331
Prepaid taxes and funds	508,026	620,289
Other receivables	58,074	52,138
	<u>602,589</u>	<u>707,758</u>

7. PROPERTY, PLANT & EQUIPMENT (NET)

	Vehicles TL 000,000	Furniture Fixtures TL 000,000	Leased Fixed Assets TL 000,000	Total TL 000,000
Acquisition Cost				
Opening balance 1 January 2003	210,343	192,835	297,511	700,689
Additions	28,457	2,828	-	31,285
Disposals	(44)	(1,392)	(3,832)	(5,268)
Closing balance 31 December 2003	<u>238,756</u>	<u>194,271</u>	<u>293,679</u>	<u>726,706</u>
Accumulated Depreciation				
Opening balance 1 January 2003	(62,481)	(137,067)	(291,256)	(490,804)
Charge for the year	(45,409)	(19,101)	(2,423)	(66,933)
Disposals	11	644	-	655
Closing balance 31 December 2003	<u>(107,879)</u>	<u>(155,524)</u>	<u>(293,679)</u>	<u>(557,082)</u>
Net Book Value at 31 December 2003	<u>130,877</u>	<u>38,747</u>	<u>-</u>	<u>169,624</u>
Net Book Value at 31 December 2002	<u>147,862</u>	<u>55,768</u>	<u>6,255</u>	<u>209,885</u>

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NOTES TO THE FINANCIAL STATEMENTS

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8. OTHER LONG TERM ASSETS

	31 December 2003 TL 000,000	31 December 2002 TL 000,000
Long Term Trade Receivables	216,838	371,718

9. BANK LOANS

	31 December 2003 TL 000,000	31 December 2002 TL 000,000
Short-Term Borrowings		
Banks Abroad-Foreign Currency	21,806,040	7,163,104
Long-Term Borrowings		
Banks Abroad-Foreign Currency	12,717,853	24,996,994
	<u>34,523,893</u>	<u>32,160,098</u>

Borrowings have the following maturity and interest rates:

Currency	Amount	Amount	Intr. Accrual	Maturity
Short Term Borrowings	FC	TL 000,000	TL 000,000	
EUR	10,000,000	17,450,720	99,915	Sep-Dec 2004
US\$	3,000,000	4,187,505	15,457	May 2004
Total		<u>21,638,225</u>	<u>115,372</u>	
Long Term Borrowings				June-Oct-
EUR	4,888,250	8,530,348	24,155	Nov-Dec 05
US\$	3,000,000	4,187,505	28,288	April 2005
Total		<u>12,717,853</u>	<u>52,443</u>	
GRAND TOTAL		<u>34,356,078</u>	<u>167,815</u>	

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**10. OTHER PAYABLES**

	31 December 2003 TL 000,000	31December 2002 TL 000,000
Due to Insurance Companies	70,083	48,601
Taxes and Dues Payable	89,189	64,873
	159,272	113,474

**11. CORPORATION TAX PAYABLE**

Corporate Tax

The Company is subject to Turkish corporation taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company's results for the year.

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

The effective rates of tax are as follows:

- In 2002 and prior years: 33%, being 30% corporate tax plus a 10% surcharge of funds contribution on corporate tax.
- In 2003: 30% (the funds contribution was abolished for 2003).
- In 2004: 33% (the corporate tax rate was increased from 30% to 33% by Law No. 5035 published in the Official Gazette on 2 January 2004).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate was increased from 25% to 30%, effective from 24 April 2003, and to 33% for 2004.

Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

In Turkey there is no procedure for a final and definitive agreement on tax assessments. The Company's file their tax returns by 15 April of the next year following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

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### NOTES TO THE FINANCIAL STATEMENTS

#### FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

##### Income Withholding Tax

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% starting from 24 April 2003. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Income withholding tax was also calculated in 2002 and prior years on various types of income and gains exempt from corporation tax, whether distributed or not. Such withholding tax has been removed in general. However, 19.8% withholding tax is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Such allowances may be used to relieve corporation tax liability until the profits reach the calculated level of exemption. If companies fail to make a profit or incur losses, any allowance outstanding may be carried forward to following years so as to be deducted from taxable income of subsequent profitable years.

##### Inflation Adjusted Tax Calculation

For 2003 and previous years, taxable profits were calculated without any inflation adjustment to the statutory records, except that fixed assets and the related depreciation were revalued annually. Law No. 5024 published in the Official Gazette No. 25332 on 30 December 2003 requires the application of inflation accounting in Turkey in 2004 and future years for tax purposes, if the actual rate of inflation meets certain thresholds, using principles which do not differ substantially from the principles in IAS 29 "Financial Reporting in Hyperinflationary Economies". Application of the new principles is optional in the first quarterly advance tax return in 2004.

##### Deferred Tax

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

Deferred taxation is calculated at a rate of 30%, since the increase to 33% is an event occurring in 2004.

In previous years, the difference between the net book values of fixed assets in the nominal statutory books of account and their inflation adjusted net book values in the accompanying financial statements was considered as a taxable temporary difference, on which deferred tax was calculated. The government's requirement to apply inflation accounting from 2004 onwards includes a requirement to calculate an inflation-adjusted statutory balance sheet for 31 December 2003, which will form the starting point for the new inflation accounting, and in which the uplifts from the former book values are a tax-exempt gain. Accordingly, deferred tax relating to fixed assets is now applicable only in case of different depreciation rates for statutory and IFRS purposes or other special factors, and the accompanying financial statements include a one-off adjustment to deferred tax to reflect the new rules.

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In the accompanying financial statements deferred tax asset/liability and corporate tax are comprised of the following:

	31 December 2003 TL 000,000	31 December 2002 TL 000,000
a) Balance Sheet		
Corporate tax payable	-	245,018
<u>Deferred Tax Liability</u>	<u>625,714</u>	<u>650,731</u>
b) Income Statement		
	31 December 2003 TL Million	31 December 2002 TL Million
Current income tax	-	245,018
Deferred tax charge/(credit)	54,609	650,731
	54,609	895,749
c) Temporary differences subject to deferred tax:		
Restatement of fixed assets (19.8%)	-	78,414
Retirement pay provision (19.8%)		(20,897)
Leasing adjustment (19.8%)	3,160,170	3,158,598
Doubtful receivable (19.8%)	-	70,403
	<u>3,160,170</u>	<u>3,286,518</u>
Components of Deferred Tax (Assets)/Liabilities:		
On restatement of fixed assets	-	15,526
Retirement pay provision	-	(4,137)
Leasing adjustment	625,714	625,402
Doubtful receivable	-	13,940
	<u>625,714</u>	<u>650,731</u>
d) Movement of Deferred Tax (Assets)/Liabilities:		
Opening balance at 1 January	650,731	-
Monetary (loss)	(79,626)	-
Taxation charge on deferred tax	54,609	650,731
<u>Closing balance at 31 December</u>	<u>625,714</u>	<u>650,731</u>

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NOTES TO THE FINANCIAL STATEMENTS

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e) Reconciliation of Taxation:

Profit Before Taxation, after Monetary Loss	1,939,186	265,468
Tax at the domestic income tax rate of 19.8%	383,959	52,563
Tax effect of restatement of non monetary items per IAS 29	142,588	583,760
Tax effect of investment incentive deduction	(471,938)	259,426
<u>Taxation per Income Statement</u>	<u>54,609</u>	<u>895,749</u>

12. RETIREMENT PAY PROVISION

Under the terms of existing Labour Law, the Company is required to pay termination indemnity to each employee who has completed one year of service, and whose employment is terminated without due cause, completes 25 years of service (20 years for women) and retires, is called up for military service, or dies. The amount payable consists of one month's gross salary per year of service. The gross salary is that at the date of termination, but subject to a limit of 1,389,950,000 TL and 1,260,150,000 TL as at 31 December 2003 and 2002, respectively.

The Company calculates and provides retirement pay provision as of year end.

Under the definitions contained in IAS 19, "Employee Benefits" the Turkish retirement pay system is an unfunded defined benefit scheme. Consequently, IAS 19 requires that a provision be built up for employees' accrued entitlement as calculated actuarially.

In the accompanying financial statements the provision has been made on an estimated basis in compliance with IAS 19.

Actuarial calculations are not available for the Group's accrued liability but for the purposes of these financial statements a calculation has been prepared for the Bank only, assuming a real discount rate of 6% (the net of inflation of 18% and a discount rate of approximately 25%).

	31 December 2003 TL 000,000	31 December 2002 TL 000,000
Opening balance	20,897	11,835
Charge for the year	4,530	11,851
Monetary loss (gain)	(2,557)	(2,789)
<u>Closing balance</u>	<u>22,870</u>	<u>20,897</u>

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

13. SHARE CAPITAL

	Ownership %	31 December 2003 Ownership Amount TL 000,000	31 December 2002 Ownership Amount TL 000,000
Arap Türk Bankası A.Ş.	99.980	5,998,800	1,999,600
Nuri Güzveli	0.005	300	100
Mehmet Muzaffer Hasim	0.005	300	100
Gürsel Kurtcan	0.005	-	-
Barboros Bektaşoğlu	0.005	300	100
Bigce Sungur	0.005	300	100
<b>Nominal capital</b>		<b>6,000,000</b>	<b>2,000,000</b>
Inflation adjustment		4,203,108	4,136,567
<b>Restated capital</b>	<b>100</b>	<b>10,203,108</b>	<b>6,136,567</b>

14. LEGAL RESERVES

	31 December 2003 TL 000,000	31 December 2002 TL 000,000
Legal Reserves	177,088	118,787
	177,088	118,787

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code (“TCC”). The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital.

15. GENERAL AND ADMINISTRATIVE EXPENSES

	31 December 2003 TL 000,000	31 December 2002 TL 000,000
Personnel Expenses	1,293,941	1,180,975
Marketing and Administrative Expenses	772,889	655,133
Depreciation and Amortization Expenses	66,933	105,300
	2,133,763	1,941,408

A&T FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

16. FINANCIAL INCOME (NET)

	31 December 2003 TL 000,000	31 December 2002 TL 000,000
Interest Income	2,736,731	2,787,853
Foreign Currency Losses	(46,512)	(77,704)
Borrowing Expenses	(1,072,435)	(1,250,177)
	<u>1,617,784</u>	<u>1,459,972</u>

17. MATURITY ANALYSIS OF THE BALANCE SHEET

Maturities of assets and liabilities as at 31 December 2003:

	Up To 1 Month TL Million	From 1 Month To 3 Months TL Million	From 3 Months To 1 Year TL Million	1 Year and More Than 1 Year TL Million	Total TL Million
<b>ASSETS</b>					
Cash and Banks	8,946,751	4,810,243	-	-	13,756,994
Short Term Lease					
Contracts Receivable (Net)	2,189,913	3,287,707	12,668,963	-	18,146,583
Other Receivables and Current Assets	-	-	-	602,589	602,589
Long Term Lease					
Contracts Receivable (Net)	-	-	-	14,290,914	14,290,914
Property, Plant, Equipment (Net)	-	-	-	169,624	169,624
Other Long Term Assets	-	-	-	216,838	216,838
<b>Total</b>	<u>11,136,664</u>	<u>8,097,950</u>	<u>12,668,963</u>	<u>15,279,965</u>	<u>47,183,542</u>
<b>LIABILITIES</b>					
Short Term Borrowings	167,815	-	21,638,225	-	21,806,040
Trade Payables	755,956	-	-	-	755,956
Other Payables	159,272	-	-	-	159,272
Long Term Borrowings	-	-	-	12,717,853	12,717,853
Retirement Pay Provision	-	-	-	22,870	22,870
Deferred Tax Liability	-	-	-	625,714	625,714
Share Capital	-	-	-	10,203,108	10,203,108
Legal Reserves	-	-	-	177,088	177,088
Retained Earnings	-	-	-	715,641	715,641
<b>Total</b>	<u>1,083,043</u>	<u>-</u>	<u>21,638,225</u>	<u>24,462,274</u>	<u>47,183,542</u>

A&T FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

17. MATURITY ANALYSIS OF THE BALANCE SHEET (cont'd)

Maturities of assets and liabilities as at 31 December 2002:

	Up To 1 Month TL Million	From 1 Month To 3 Months TL Million	From 3 Months To 1 Year TL Million	1 Year and More Than 1 Year TL Million	Total TL Million
<b>ASSETS</b>					
Cash and Banks	13,437,228	3,886,584	-	-	17,323,812
Short Term Lease					
Contracts Receivable (Net)	1,107,525	4,620,376	8,625,894	-	14,353,795
Other Receivables and Current Assets	-	-	-	707,758	707,758
Long Term Lease					
Contracts Receivable (Net)	-	-	-	6,435,149	6,435,149
Property, Plant, Equipment (Net)	-	-	-	209,885	209,885
Other Long Term Assets	-	-	-	371,718	371,718
<b>Total</b>	<b>14,544,753</b>	<b>8,506,960</b>	<b>8,625,894</b>	<b>7,724,510</b>	<b>39,402,117</b>
<b>LIABILITIES</b>					
Short Term Borrowings	6,108,452	435,261	619,391	-	7,163,104
Trade Payables	221,307	-	-	-	221,307
Other Payables	113,474	-	-	-	113,474
Corporate tax payable	-	245,018	-	-	245,018
Long Term Borrowings	-	-	-	24,996,994	24,996,994
Retirement Pay Provision	-	-	-	20,897	20,897
Deferred Tax Liability	-	-	-	650,731	650,731
Share Capital	-	-	-	6,136,567	6,136,567
Legal Reserves	-	-	-	118,787	118,787
Retained Earnings	-	-	-	(264,762)	(264,762)
<b>Total</b>	<b>6,443,233</b>	<b>680,279</b>	<b>619,391</b>	<b>31,659,214</b>	<b>39,402,117</b>

A&T FİNANSAL KİRALAMA A.Ş.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEARS ENDED 31 DECEMBER 2003 AND 2002

18. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

The balances and transactions with related party Arap Türk Bankası A.Ş. at 31 December 2003 and 31 December 2002 are as follows:

	31 December 2003 TL 000,000	31 December 2002 TL 000
Demand Deposits	5,640	74,154
Leasing Receivable	-	34
Leasing Revenue (Interest)	30,420	11,013
Interest Income	8,534	109,787
Repo Income	-	2,482
Notary Commission Income	5,059	1,578
Letter of Guarantee Commission Expenses	5,495	25,603
Letter of Guarantee Received	5,330,624	1,147,818

19. CONTINGENT LIABILITIES

	31 December 2003 TL 000,000	31 December 2002 TL 000
Letters of guarantee given	18,327,088	14,290,384

Letters of guarantee in foreign currencies amount to 3,000,000 USD and 8,000,000 EUR. (2002- EUR 7,035,358).

The foreign currency position of the Company can be summarized as follows:

	31 December 2003 TL 000,000	31 December 2002 TL 000
Total Foreign Currency Assets	33,662,611	33,030,742
Total Foreign Currency Liabilities	(34,658,237)	(32,318,702)
Net Foreign Currency Position	(995,626)	712,040

**A&T FİNANSAL KİRALAMA A.Ş.**  
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**20. INVESTMENT INCENTIVES**

The Company has obtained investment incentive certificates from the Undersecretariat of the Turkish Treasury for its various investments in direct financing leases. Such incentives include exemptions from custom duties on machinery and equipment to be imported and investment allowances at 40% on the approved capital expenditures.

Investment allowance takes the form of a deduction from taxable profits for the purposes of corporation tax calculations. Such allowances are recognized over the term of the related lease contracts unless the utilization of the allowances per statutory tax computation exceeds the term of the lease contract.

**21. SUBSEQUENT EVENTS**

The termination indemnity ceiling has increased to TL 1,485,430,000 commencing on 1 January 2004.



*Arap Turkish Bank*



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