

**ANNUAL REPORT
2004**



A&T FİNANSAL KİRALAMA A.Ş.

BOARD OF DIRECTORS & GENERAL MANAGEMENT

BOARD OF DIRECTORS

Chairman

Mr. Hakan BARUT

(Branch Manager at Türkiye İş Bankası A.Ş.
and a Board Member at Arab Turkish Bank)

Deputy Chairman

Mr. Najib H. EL-JAMAL

(General Manager of Arab Turkish Bank)

Members

Mr. Abdullatif A. EL-KIB

(Previous Deputy Chairman of Libyan Arab
Foreign Bank. The present General Manager
of National Investment Company, Tripoli)

Mr. Nuri GÜZVELİ

(Assistant General Manager of Arab Turkish Bank)

Mr. İhsan BİLİCİ

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

MANAGEMENT

Mr. İhsan BİLİCİ

General Manager

Mr. Suleiman AZZBI

Deputy General Manager

till 30/09/2004

Mr. Abdulaziz M.A. MANSUR

Internal Auditor

Mr. Ali Riza BAL

Marketing Manager

Mr. Aziz AYDOĞDUOĞLU

Accounting Manager

Miss. Semiha BİRATES

Operation Manager

Mrs. Münevver UTKU

Assistant Manager of Marketing

Mr. Mustafa EFENDİOĞLU

Assistant Manager of Credit

Investigation

Miss Figen BEŞİKÇİ

Assistant Manager of Treasury

CHAIRMAN'S STATEMENT

Dear Shareholders,

It gives us great pleasure and pride to present A & T Finansal Kiralama A.S.'s extraordinary performance and achievements realized in 2004.

2004 has been a year of growth for our Company, we are encouraged by our results, the Company's net profit jumped to US\$ 3,3 Million in the year-end 2004 from US\$ 1,9 million in the year-end 2003. The rise in net profit recorded a 74 % increase in US dollar terms. Total Assets grew by 34 % in US dollar terms to US\$ 45,3 Million in the year-end 2004 from US\$ 33,7 Million in the year-end 2003.

A & T Finansal Kiralama A.S has continued to increase it's market share by focusing on financing the investment requirements of small and medium-sized companies from diverse sectors with solid backgrounds and trustworthy reputations. As a result of these efforts, A & T Finansal Kiralama A.S enjoys a high level of portfolio quality and collection performance.

The strong performance of Turkish economy in 2004 has positively effect leasing sector. With high levels of investments aided by falling real interest rates, the overall volume of leasing transactions reached US\$ 2,9 Billion, represented an increase over 30 % compared to the previous year, 2003. The share of leasing as part of private investments is expected to increase significantly in the coming years due to the healthy course of Turkish economy.

A & T Finansal Kiralama A.S will continue to maintain it's solid position in the market-place closely pursuing the accurate business strategies resulted in high profitability and consistent growth.

In 2004, the targets set by the stand-by programme have been achieved through successful implementation of monetary policy by the Central Bank, the government's continued commitment to fiscal discipline and the progress made in the process of joining the European Union. The annual CPI completed the year with a 9,3 % increase below the year end target. In 2005, monetary policy will continue to focus on the primary goal of price stability. Declining interest rates as well as the appreciation of Turkish Lira accounted for the deceleration in the rate of growth of the domestic debt to GDP ratio.

The government's continued commitment to fiscal discipline should contribute in achieving single digit inflation target and an average GDP growth of 5 % in the coming years. Closely following the trends in the economy and the leasing sector, A & T Finansal Kiralama A.S. will continue to improve its performance levels.

The professional skill of our personnel plus the focused nature of our business plans will provide the means to make significant gains in the future.

I would like to thank my colleagues on the board for their support and the management and staff for their continued commitment to ensuring that the Company attains its pride of place in the leasing sector. I would also like to thank our esteemed clients for their faith and continued loyalty to the Company, while assuring them of the Company's persistent commitment to efficient service delivery and support to their businesses.

I express my appreciation to all of our respected creditor institutions and their continued confidence, support and contribution will be fuel for A & T Finansal Kiralama A.S.'s growth.

Yours sincerely,



Hakan Barut
Chairman

FINANCIAL HIGHLIGHTS AND KEY INDICATORS

TL MILLIONS

At the years end	2004	2003	2002
Due from Bank's & Marketable Sec.	23.965.163	13.756.994	15.182.128
Net Leasing Investment	34.934.538	31.741.449	17.981.905
Total Assets	60.860.505	47.109.090	34.511.921
S-T Loans	23.133.905	21.638.225	6.022.401
M-T Loans	19.514.433	12.717.853	21.938.273
Total Loans	42.648.338	34.356.078	27.960.674
Total Liabilities	43.482.647	36.159.686	28.788.157
Paid-up Capital	11.000.000	6.000.000	2.000.000
Shareholders' Equity	17.377.858	10.949.404	5.723.764

For the year	2004	2003	2002
Leasing Revenue	4.631.175	3.360.261	2.099.681
Interest from Banks & Marketable Sec.	3.185.128	2.726.206	2.200.745
Total Income	8.471.483	6.086.467	4.300.426
Interest Expense & Commissions	1.553.996	1.230.309	1.099.653
Total Expense	4.043.029	3.358.320	2.658.435
Net Income Before Tax	4.428.454	2.728.147	1.641.991
Net Income After Tax	4.428.454	2.075.640	1.426.725

KEY INDICATORS

Financial Ratios	Dec. 31,2004	Dec. 31,2003	Dec. 31,2002
Growth	29%	37%	30%
Return on Assets	7%	4%	4%
Return on Equity	26%	19%	25%
Leasing Revenue / Total Income	55%	55%	49%
Interest from Banks & Marketable Sec/ Due From Banks & Marketable Sec.	13%	19%	14%
Interest from Banks & Marketable Sec/ Total Income	38%	45%	51%
Interest Expense & Comm. /Total Income	18%	20%	26%

BUSINESS PERFORMANCE

Asset Quality & Risk Management

A & T Finansal Kiralama A.S.'s prudent lending policies have ensured that the Company's assets are high quality. We have strict and selective customer process and strong collateral support requirements. Leasing decisions and follow-up procedures are guided by our experiences. A & T Finansal Kiralama A.S. has created a competitive advantage for itself with its fast and high quality services.

Customer assets remain our enthusiastic emphasis. Our success and performance hinges on satisfying our customers better than competitors by helping them unlock the real value of their businesses. The challenge is always to be better than anyone else, better at creating real and lasting value for customers.

A & T Finansal Kiralama A.S. always tries to eliminate risk exposures by avoiding maturity, currency and interest rate mismatches. The Company also intends to limit its leasing transactions by avoiding concentrations with customers and industries by utilizing careful Credit Analysis and Risk Control.

A & T Finansal Kiralama A.S.'s strategy is to work with any credible client that needs to invest in production- related machinery and equipments. Small and medium – sized firms seeking to improve their businesses are targeted by A & T Finansal Kiralama A.S.

A & T Finansal Kiralama A.S. will concentrate on growing its leasing earnings, by expanding its leasing volume. It will also focus on investing its people and its brand to support the future values of A & T Finansal Kiralama A.S.

Management's vision for A & T Finansal Kiralama A.S. remains consistent: A & T Finansal Kiralama A.S. aims to be an excellent financial services Company. In this content, "Excellent" means preferred, admired and dynamic and being recognized for giving the customer a fair deal.

We are pleased with our business wins and contracts performances, we have also maintained acceptable rate of contracts which in line with industry average, we will continue to explore opportunities that could strengthen our competitive position and create value for our shareholders.

We aim to persist offering our clients with good interest rate and high quality of services. We aspire to achieve these goals by providing services that add worth to our clients' businesses, and through our ongoing focus on providing these services at the most effective cost.

Marketing Operations

Despite the increasing competition in the Leasing sector in Turkey and the falling interest rates in leasing contracts during the year 2004, A & T Finansal Kiralama A.S continued to demonstrate a successful performance and preserved it's market share among the leasing companies in Turkey as well as continued to meet the best quality financial services required by it's clients.

All of the departments have an impact on Marketing Department's plans and actions. Under the marketing concept, all of these functions must "think customer" and they work in harmony to provide superior customer value and satisfaction.

Our Leasing Portfolio built on having substantial clients who have trustworthy reputation, positive background, strong financial position and high creditability. In order to discern areas of potential advantages in the market, we constantly compare the value and clients satisfactions that delivered by our services, prices, channels and promotion with those of our competitors.

For doing successful implementations, we blend very well our staff, organization structure, decisions and reward system, and company culture into a cohesive action program that support our strategy.

In 2005, we aim to expand our Leasing portfolio through following an integrated Market penetration and Market development strategy.

Human Resource and Information Technology

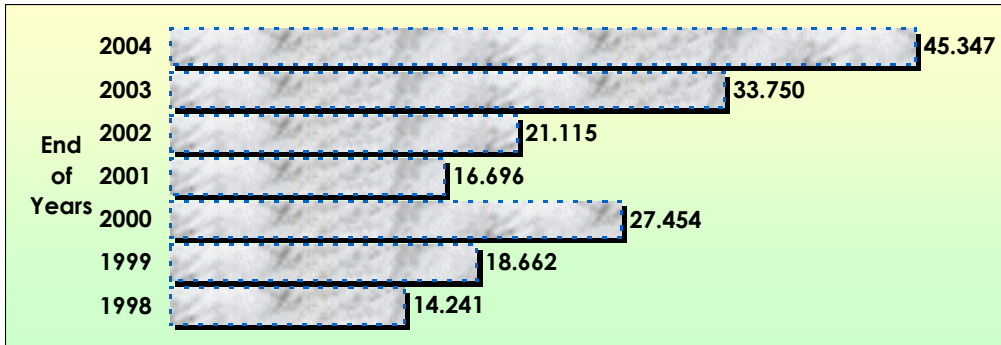
In Financial services, the quality of a company's human resources is a matter of utmost importance. Recognizing this truth, A & T Finansal Kiralama A.S gives the greatest attention not only to recruiting people with solid backgrounds in their specialties but also to keeping its staff's skills and knowledge honed sharp with continues training and development program, these efforts will continue in the years ahead. The Company employs staff of fifteen persons.

FINANCIAL REVIEW

TOTAL ASSETS & LIABILITIES

Total Assets of the Company demonstrated a solid growth in 2004, increasing 29 % from TL 47,109 Billion (US \$ 33.7 Million) to TL 60.861 Billion (US \$ 45.3 Million).

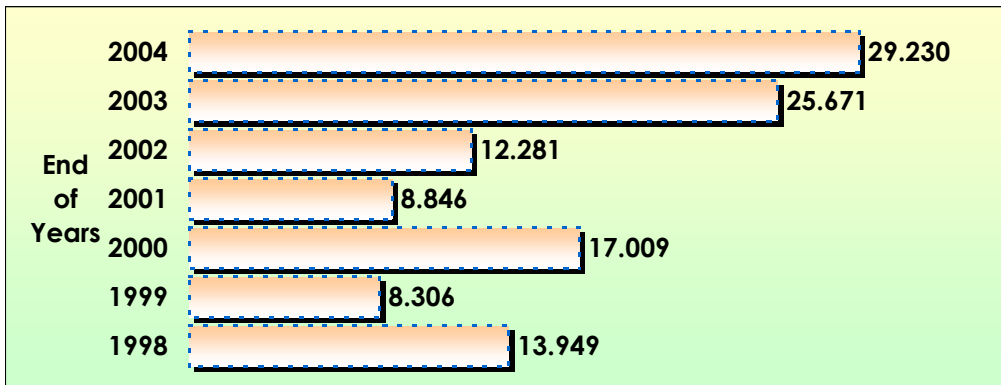
Total Assets in Thousands of US\$



Outstanding Leasing Receivables totaled TL 39,230 Billion (US\$ 29 Million) generated an increase of approximately 9% over the 2003-year end figures of TL 35,832 Billion (US\$ 25.6 Million). As of 31/12/2004, 64% of our Assets were employed in this essential item that is the backbone of the revenues sources in the Company.

We do allocate our Leasing Portfolio in various currencies as well as in different sectors for the sake of reducing and hedging the risk and to please our customers' demands that do we believe "what we are and how we work is dictated by the needs and desires of them".

Outstanding Leasing Receivables in Thousands of US\$



Referring back to the structure of our Assets as of 31/12/2004, our Cash and due from Banks item covered 39 % of our Assets, generated an increase about 74 % compared with the same date of the last year 2003.

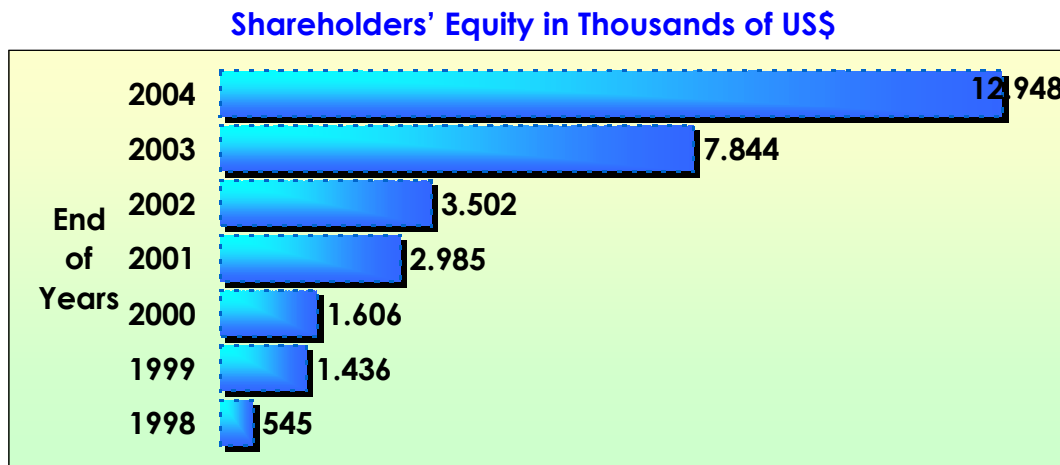
We keep in our Accounts at Banks a basket of different currencies in order to execute our daily transactions and to be ready for our customer applications.

However, we are satisfied with the current level that we achieved since we have a solid Asset and high quality-leasing portfolio.

We keep looking to expand our Leasing Business in the near future by means of attracting new customers of good quality as long as our Bank Suppliers continued to be behind us taking in their consideration the high competition in the Leasing Market in Turkey.

The sources of Balance Sheet Assets were made up mainly of medium term Bank borrowing.

As of 31/12/2004, 70 % of our Assets were feed by Loans; meanwhile it was 73 % as of 31/12/2003.



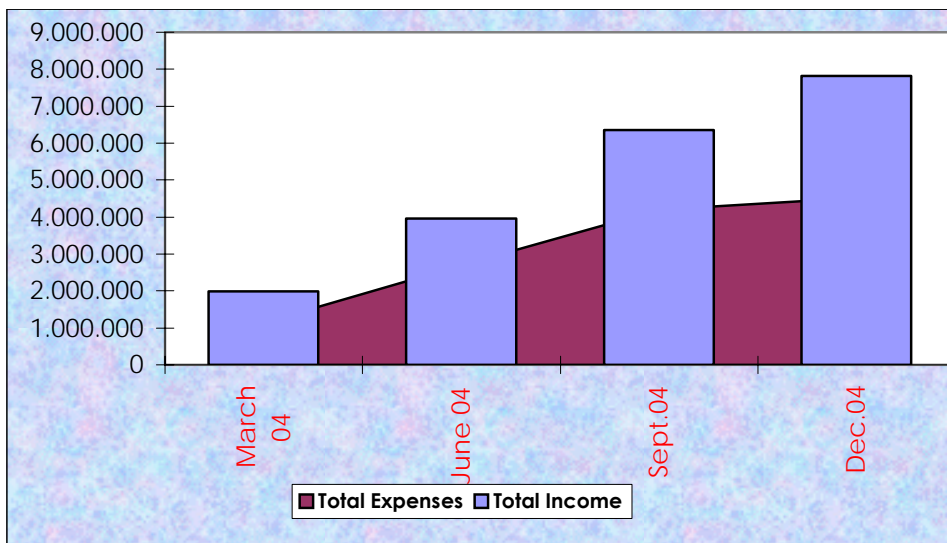
It has always been the Company's policy to maintain a good balance sheet structure and a strong capital base. Our Shareholders' Equity rises 59% from TL 10,949 Billion as of 31/12/2003 (US\$ 8 Million) to TL 17.378 Billion (US\$ 13 Million). Paid-up Capital has correspondence to 63% of it's shareholders' equity. 25% of Shareholders' equity is made up by the current year profits as well as the reserves and the previous years profits shared with the rest percentage 12%.

Profit and Loss

Total income of A & T Finansal Kiralama A.S. for the year 2004 amounted to TL 10,495,508 Million (US \$ 7,820,213) represented an increase of 26% over the past year. Noteworthy were the contributions that made by the Leasing Interest Revenue and Commissions, which were 44% of the Total Income.

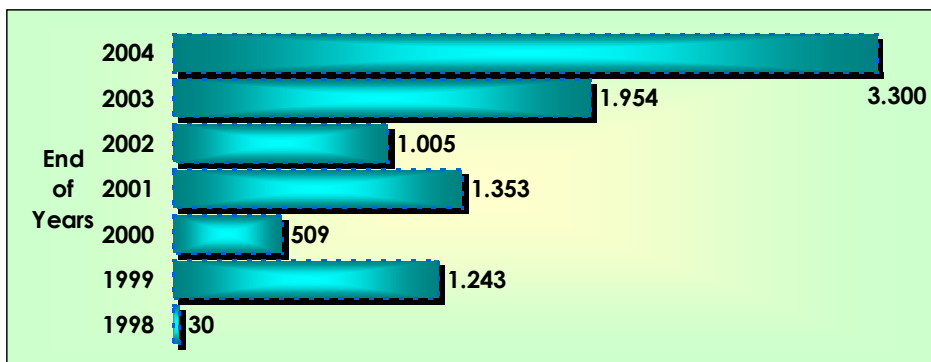
Our Leasing Revenue and Commissions for the year 2004 improved about 38 % comparing with the past year for 2003.

For the period of 2004, the most significant performance in our profit and loss started after the third quarter of 2004, our total expenses remained on the same level with slight changes meanwhile our total revenue increased sharply as illustrated in the graphic below;



Our Total Expenses to Total Income percentage recorded 58 % for the year 2004. In 2003, this figure was 67 %.

Net Income in Thousands of US\$



Net income in Dollar basis jumped about 69% from US\$ 1,954,491 for the year-end 2003 to US\$ 3,299,645 for the year-end 2004.

**A&T Finansal Kiralama
Anonim Őirketi**

**Financial Statements
Together With
Report of Independent Auditors
December 31, 2004**



REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying balance sheet of A&T Finansal Kiralama Anonim Şirketi (the Company - a Turkish corporation) as of December 31, 2004 and the related statements of income, changes in equity and cash flows for the year then ended, all expressed in the equivalent purchasing power of Turkish Lira as of December 31, 2004. 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.

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.

The financial statements of the Company for the year ended December 31, 2003, were audited by other auditors whose report dated February 6, 2004, expressed an unqualified opinion on these statements.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2004 and the results of its operations and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

January 31, 2005
Istanbul, Turkey

A & T Finansal Kiralama Anonim Şirketi**BALANCE SHEET****As at December 31, 2004**

(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

	Notes	2004	2003
ASSETS			
Current Assets			
Cash and cash equivalents	3, 14	24,326,881	15,655,459
Short-term minimum lease payments receivable, net	4, 14	20,270,144	20,296,435
Receivables from lease payments outstanding, net	5	112,774	354,900
Other assets	8	1,109,616	685,746
Total current assets		45,819,415	36,992,540
Long-term minimum lease payments receivable, net			
Property and equipment, net	4, 14	13,753,438	16,262,537
Equipment to be leased	7	134,739	193,032
Deferred tax asset	6	1,234,938	246,762
	10	3,960,423	-
Total non-current assets		19,083,538	16,702,331
Total assets		64,902,953	53,694,871
LIABILITIES AND EQUITY			
Current liabilities			
Short-term funds borrowed	9	23,306,845	24,755,591
Trade payables		417,370	940,033
Other liabilities and provisions		50,610	101,497
Total current liabilities		23,774,825	25,797,121
Long-term funds borrowed			
Employee termination benefits	9	19,626,221	14,532,599
Deferred tax liability	11	56,280	26,026
	10	-	712,062
Total non-current liabilities		19,682,501	15,270,687
Total liabilities		43,457,326	41,067,808
EQUITY			
Share capital	12	16,960,923	11,611,137
Legal and general reserves	13	4,484,704	1,015,926
Total equity		21,445,627	12,627,063
Total liabilities and equity		64,902,953	53,694,871

The accompanying policies and explanatory notes on pages 16 through 32 form an integral part of these financial statements.

A &T Finansal Kiralama Anonim Şirketi
INCOME STATEMENT
For the year ended December 31, 2004

(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

	Notes	2004	2003
Income from lease operations	14	4,568,416	3,389,856
Financial income (expense)	14, 15	1,659,705	1,899,710
Marketing, general and administrative expenses	16, 17	(2,518,532)	(2,428,222)
Other income (expense)		232,440	300,851
Income from operating activities before income tax and monetary loss		3,942,029	3,162,195
Monetary loss		(1,847,504)	(955,401)
Income tax credit / (charge)	10	4,586,137	(62,145)
Net profit		6,680,662	2,144,649

The accompanying policies and explanatory notes on pages 16 through 32 form an integral part of these financial statements.

A & T Finansal Kiralama Anonim Şirketi
STATEMENT OF CHANGES IN EQUITY

For the year ended December 31, 2004

(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

	Share Capital	Adjustment to share capital	Legal and general reserves	Total
At January 1, 2003	2,000,000	4,983,413	(166,119)	6,817,294
Transfer from statutory retained earnings	850,000	112,604	(962,604)	-
Cash increase in share capital	3,150,000	515,120	-	3,665,120
Net profit for the year	-	-	2,144,649	2,144,649
At December 31, 2003	6,000,000	5,611,137	1,015,926	12,627,063
Transfer from statutory retained earnings	3,000,000	211,884	(3,211,884)	-
Cash increase in share capital	2,000,000	137,902	-	2,137,902
Net profit for the year	-	-	6,680,662	6,680,662
At December 31, 2004	11,000,000	5,960,923	4,484,704	21,445,627

The accompanying policies and explanatory notes on pages 16 through 32 form an integral part of these financial statements.

A & T Finansal Kiralama Anonim Şirketi**CASH FLOW STATEMENT**

For the year ended December 31, 2004

(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

	2004	2003
Net profit before monetary loss	8,528,166	3,100,050
Adjustments to reconcile net income to net cash provided by operating activities :		
Deferred tax (credit)/provision	(4,586,137)	61,902
Depreciation	64,837	76,170
Provision for employee termination benefits	33,410	5,147
(Gain)/Loss on disposal of tangible assets	(18,470)	299
Interest expense	1,627,369	1,247,405
Operating profit before changes in net operating assets and liabilities	5,649,176	4,490,973
Net change in receivables from lease payments outstanding	208,645	(36,0639)
Net change in minimum lease payments receivable	(1,989,049)	(16,151,410)
Net change in other assets	(531,365)	21,883
Net change in equipments to be leased	(1,066,968)	127,496
Net change in trade payables	(428,286)	735,455
Net change in other liabilities	(40,431)	(12,151)
Income taxes paid	-	(250,433)
Interest paid	(1,234,801)	(1,330,683)
Net cash provided by / (used in) operating activities	566,921	(12,731,933)
Cash flows from investing activities		
Purchase of tangible assets	(15,762)	(35,602)
Proceeds from sale of tangible assets	27,688	4,950
Net cash provided by (used in) investing activities	11,926	(30,652)
Cash flows from financing activities		
Proceeds from funds borrowed	30,100,713	15,923,942
Repayments of funds borrowed	(21,638,225)	(7,011,123)
Increase in share capital	2,137,902	3,665,121
Net cash provided by (used in) financing activities	10,600,390	11,947,940
Effect of net foreign exchanges difference and monetary gain (loss) on cash and cash transactions	(2,507,815)	(3,244,394)
Net increase (decrease) in cash and cash equivalents	8,671,422	(4,059,039)
Cash and cash equivalents at beginning of year	15,655,459	19,714,498
Cash and cash equivalents at end of year	24,326,881	15,655,459

The accompanying policies and explanatory notes on pages 16 through 32 form an integral part of these financial statements.

A & T Finansal Kiralama Anonim Şirketi
NOTES TO THE FINANCIAL STATEMENTS

December 31, 2004

(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

1. CORPORATE INFORMATION

A&T Finansal Kiralama Anonim Şirketi (the Company) was incorporated on July 4, 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 number of personnel working for the Company as of December 31, 2004 is 16 (2003 – 13).

The financial statements of the Company are authorized for issue by the senior management on January 31, 2005. The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (IFRS), which comprise standards and interpretations approved by the International Accounting Standards Board (IASB) and International Accounting Standards and Standing Interpretations Committee interpretations approved by the IASB that remain in effect. The financial statements have been prepared on the historical cost convention.

The Company, which is incorporated in Turkey, maintains its books of account and prepares its statutory financial statements in accordance with the regulations on accounting and reporting framework and accounting standards, which are determined by the provisions of Turkish Commercial Code, the Financial Leasing Law and Tax Legislation. The financial statements have been prepared from statutory financial statements of the Company and presented in New Turkish Lira (YTL) with adjustments and certain reclassifications for the purpose of fair presentation in accordance with IFRS. Such adjustments mainly comprise accounting for leasing transactions in accordance with International Accounting Standards (IAS) 17 for contracts executed prior to July 1, 2003, accounting for employee termination benefits in accordance with IAS 19, accounting for deferred tax effects of temporary differences and recognition and measurement of financial instruments.

Certain reclassifications have been made to 2003 financial statements for comparative presentation purposes. Those reclassifications mainly relate to classification of short and long-term asset and liabilities.

Functional and Reporting Currency

As a result of a long period of high inflation, the Turkish Lira (TL) has ended up in large denominations, creating difficulty in expressing and recording transactions. A new law was enacted in January 31, 2004 to introduce Yeni Türk Lirası (New Turkish Lira, YTL), the new currency unit for the Republic of Turkey. Conversion rate for TL against YTL is fixed at YTL 1 to TL 1,000,000 through out the period until complete phase-out of TL.

Accordingly, the Company's functional and presentation currency as of December 31, 2004 is YTL and comparative figures for the prior year(s) have also been presented in YTL, using the conversion rate of TL 1,000,000 / YTL=1.00.

The restatement for the changes in the general purchasing power of YTL as of December 31, 2004 is based on IAS 29- Financial Reporting in Hyperinflationary Economies. IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods 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%. As of December 31, 2004, the three year cumulative rate has been 70% (2002 - 181%) based on the Turkish countrywide wholesale price index published by the State Institute of Statistics.

A & T Finansal Kiralama Anonim Şirketi
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2004
(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Such indices and conversion factors as of the end of the three years ended December 31, 2004 are given below:

Dates	Index	Conversion Factors
December 31, 2002	6,478.8	1.297
December 31, 2003	7,382.1	1.138
December 31, 2004	8,403.8	1.000

The main guidelines for the above mentioned restatement are as follows :

- the financial statements of prior year, including monetary assets and liabilities reported therein, which were previously reported in terms of the measuring unit current at the end of that year are restated in their entirety to the measuring unit current at December 31, 2004.
- monetary assets and liabilities reported in the balance sheet as of December 31, 2004 are not restated because they are already expressed in terms of the monetary unit current at that balance sheet date.
- the inflation adjusted share capital was derived by indexing cash contributions.
- non-monetary assets and liabilities which are not carried at amounts current at the balance sheet date and other components of equity are restated by applying the relevant conversion factors.
- the effect of general inflation on the net monetary position is included in the income statement as monetary gain (loss).
- all items in the income statement are restated by applying appropriate average conversion factors with the exception of depreciation, amortization, gain or loss on disposal of non-monetary assets (which have been calculated based on the restated gross book values and accumulated depreciation/amortization).

Restatement of balance sheet and income statement items through the use of a general price index and relevant conversion factors does not necessarily mean that the Company could realize or settle the same values of assets and liabilities as indicated in the balance sheets. Similarly, it does not necessarily mean that the Company could return or settle the same values of equity to its shareholders.

Foreign Currency Translation

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the income statement.

Foreign currency translation rates used by the Company as of respective year-ends are as follows :

Dates	EUR / YTL	USD / YTL
December 31, 2002	1.703477	1.634501
December 31, 2003	1.745072	1.395835
December 31, 2004	1.826800	1.342100

A & T Finansal Kiralama Anonim Şirketi
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2004
(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and any impairment in value.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset as follows :

	Years
Vehicles	2.5 - 5
Furniture and fixtures	5
Leased assets	5

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets are written down to their recoverable amount. Impairment losses are recognized in the income statement.

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.

Recognition and Derecognition of Financial Instruments

The Company recognizes a financial asset or financial liability in its balance sheet when and only when it becomes a party to the contractual provisions of the instrument. The Company derecognizes a financial asset or a portion of financial asset when and only when it loses control of the contractual rights that comprise the financial asset or a portion of financial asset. The Company derecognizes a financial liability when and only when a liability is extinguished that is when the obligation specified in the contract is discharged, cancelled and expires.

All regular way purchases and sales of financial assets are recognized on the trade date i.e. the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

Cash and Cash Equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise short-term deposits with banks with an original maturity of three months or less.

Leases

The Company as Lessor

Finance Leases

The Company presents leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are recognized immediately as expenses.

A &T Finansal Kiralama Anonim Şirketi
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2004
(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The Company as Lessee

Finance Lease

Finance leases, which transfer to the Company substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability.

Finance charges are charged directly against income. Capitalized leased assets are depreciated over the estimated useful life of the asset.

Operating Leases

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

Provisions for Possible Lease Receivable Losses

Based upon its evaluation, management estimates the total credit risk provision that it believes is adequate to cover uncollectable amounts in the Company's receivable portfolio. If there is objective evidence that the Company will not be able to collect all amounts due according to original contractual terms of the lease receivables; such receivables are considered impaired. The amount of the loss is measured as the difference between the receivables' carrying amount (net investment in direct finance leases and receivables from lease payments outstanding) and the present value of expected future cash flows discounted at the receivable's original effective interest rate or as the difference between the carrying value of the receivable and the fair value of collateral, if the receivable is collateralized and foreclosure is probable. Impairment and uncollectability are measured and recognized individually for receivables that are individually significant and on a portfolio basis for a group of similar receivables.

The carrying amount of the asset is reduced to its estimated recoverable amount through use of an allowance for impairment account. A write off is made when all or part of a receivable is deemed uncollectable or in the case of debt forgiveness. Write offs are charged against previously established allowances and reduce the amount of a receivable.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to the provision for possible lease receivable losses expense. Unwinding of the discount is treated as income and remaining provision is then reassessed.

Funds Borrowed

Funds borrowed are initially recognized at cost. After initial recognition, all interest bearing liabilities are subsequently measured at amortized cost using effective yield method, less amounts repaid. Amortized cost is calculated by taking into account any discount or premium on settlement. Gain or loss is recognized in the income statement when the liability is derecognized or impaired as well as through the amortization process. Borrowing costs are expensed as incurred.

A & T Finansal Kiralama Anonim Şirketi
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2004
(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Employee Benefits

(a) Defined Benefit Plans

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum termination indemnities to each employee who has completed over one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct.

Full provision is made for the present value of the defined benefit obligation calculated using the Projected Unit Credit Method. All actuarial gains and losses are recognized in the income statement.

(b) Defined Contribution Plans

The Company pays contributions to the Social Security Institution of Turkey on a mandatory basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due.

Equipment to be Leased

The Company makes purchases of machinery and equipment from domestic vendors in the current year for the financial lease agreements signed in the year for customer projects which are in progress and which will be completed in the subsequent year.

Provisions

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, 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, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as an interest expense.

Income and Expense Recognition

All income and expense items are recognized on an accrual basis.

Income Tax

Tax expense/ (income) is the aggregate amount included in the determination of net profit or loss for the period in respect of current and deferred tax.

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry-forward of unused tax assets and unused tax losses can be utilized.

At each balance sheet date, the Company reassesses unrecognized deferred tax assets, and recognizes a previously unrecognized deferred tax asset to the extent that future taxable profit will allow the deferred tax asset to be recovered.

A & T Finansal Kiralama Anonim Şirketi
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2004
(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantially enacted at the balance sheet date.

Government Grants

Government grants are recognized at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the years necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual installments.

Use of Estimates

The preparation of the 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 balance sheet. Actual results may vary from the current estimates. These estimates are reviewed periodically, and, as adjustments become necessary, they are reported in earnings in the periods in which they become known.

Fair Value of Financial Instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, if one exists. The following methods and assumptions were used to estimate the fair values of the Company's financial instruments:

To the extent relevant and reliable information is available from the financial markets in Turkey, the fair value of the financial instruments of the Company is based on such market data. The fair values of the remaining financial instruments of the Company can only be estimated. The estimates presented herein are not necessarily indicative of the amounts the Company could realize in a market exchange.

The following methods and assumptions were used to estimate the fair values of the Company's financial instruments:

Financial Assets

Monetary assets for which fair value approximates carrying value:

For cash and cash equivalents and lease receivables (net of allowance for impairment), fair values are estimated to approximate their respective carrying value due to their short-term nature. Balances denominated in foreign currencies are translated at year-end exchange rates.

Financial Liabilities

Monetary liabilities for which fair value approximates carrying value:

The fair values of trade payables are considered to approximate their respective carrying values due to their short-term nature. Foreign currency denominated obligations are translated at year-end exchange rates.

Funds borrowed are stated at their amortized costs. The fair values of funds borrowed are considered to approximate their respective carrying values since the interest rate applied to funds borrowed are updated periodically by the lender to reflect active market price quotations.

A & T Finansal Kiralama Anonim Şirketi
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2004
(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

3. CASH AND CASH EQUIVALENTS

	December 31, 2004	December 31, 2003
	YTL Equivalent	YTL Equivalent
Cash on Hand	49	94
Cash at Bank		
- Demand Deposits	490,344	606,672
- Time Deposits	23,836,488	15,048,693
Cash and cash equivalents in the cash flow statement	24,326,881	15,655,459

Breakdown of time deposits as of December 31, 2004 and 2003 is as follows :

	2004			2003		
	Original Currency	Amount	YTL Equivalent	Original Currency	Amount	YTL Equivalent
Deposits with banks						
	US\$	3,287,150	4,411,683	US\$	263,970	419,306
	EUR	3,135,044	5,727,097	EUR	943,894	1,874,472
	YTL	13,697,708	13,697,708	YTL	11,208,185	12,754,915
			23,836,488			15,048,693

As of December 31, 2004 and 2003, interest range of time deposits is as follows:

	December 31, 2004		December 31, 2003	
	YTL (%)	Foreign Currency (%)	YTL (%)	Foreign Currency (%)
Time Deposits with banks	20-24	1.6-2.4	26-30	0.75-1.75

4. MINIMUM LEASE PAYMENTS RECEIVABLE

Gross investment in finance leases receivable :

	2004	2003
Not later than one year	22,941,826	23,462,710
Later than one year and not later than five years	15,053,002	17,751,324
Later than five years	-	-
Minimum lease payments receivable, gross	37,994,828	41,214,034
Less: Unearned interest income	(3,971,246)	(4,655,062)
Net investment in finance leases	34,023,582	36,558,972
Less: Reserve for impairment	-	-
Minimum lease payments receivable, net	34,023,582	36,558,972

A & T Finansal Kiralama Anonim Şirketi
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2004
(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

4. MINIMUM LEASE PAYMENTS RECEIVABLE (continued)

Net investment in finance leases may be analyzed as follows:

	2004	2003
Not later than one year	20,270,144	20,295,912
Later than one year and not later than five years	13,753,438	16,263,060
Later than five years	-	-
	34,023,582	36,558,972

A summary of uninvoiced lease contracts receivable as of December 31, 2004 is as follows:

	2005	2006	2007	2008	Total
Rentals (principal)	20,270,144	10,493,770	3,092,268	167,400	34,023,582
Unearned interest	2,671,683	1,059,352	212,568	27,643	3,971,246
Total	22,941,827	11,553,122	3,304,836	195,043	37,994,828

5. RECEIVABLES FROM LEASE PAYMENTS OUTSTANDING

	2004	2003
Receivables from lease payments outstanding	174,562	416,688
Less: Reserve for impairment	(61,788)	(61,788)
Receivables from lease payments outstanding, net	112,774	354,900

6. EQUIPMENT TO BE LEASED

As of December 31, 2004 and 2003, the equipment to be leased balance includes advances given and cost of the equipment to be leased together with related expenses.

A & T Finansal Kiralama Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

7. PROPERTY AND EQUIPMENT (NET)

	Vehicles	Furniture and Fixtures	Leased Fixed Assets	Total
Acquisition Cost				
Balance, January 1, 2004	271,704	221,080	334,207	826,991
Additions	-	15,762	-	15,762
Disposals	-	(48,245)	-	(48,245)
Balance, December 31, 2004	271,704	188,597	334,207	794,508
Accumulated Depreciation				
Balance, January 1, 2004	122,766	176,986	334,207	633,959
Charge for the year	54,422	10,415	-	64,837
Disposals	-	(39,027)	-	(39,027)
Balance, December 31, 2004	177,188	148,374	334,207	659,769
Net Book Value at December 31, 2004	94,516	40,342	-	134,739
Net Book Value at December 31, 2003	148,938	44,094	-	193,032

8. OTHER ASSETS

	2004	2003
Prepaid taxes	531,511	382,951
VAT receivable	471,615	195,183
Prepaid expenses	42,528	41,524
Other receivables	63,962	66,088
	1,109,616	685,746

9. FUNDS BORROWED

	2004		2003	
	Original Amount	YTL Equivalent	Original Amount	YTL Equivalent
i) Short-term funds borrowed	US\$ 6,560,803	8,805,255	US\$ 3,011,073	4,782,969
	EUR 7,938,247	14,501,590	EUR 10,057,255	19,972,622
ii) Medium and long-term funds borrowed	US\$ 3,521,416	4,726,092	US\$ 3,020,267	4,797,574
	EUR 8,156,409	14,900,129	EUR 4,902,092	9,735,025
		42,933,066		39,288,190

A & T Finansal Kiralama Anonim Şirketi
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2004
(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

9. FUNDS BORROWED (continued)

As of December 31, 2004 and 2003 interest range of funds borrowed is as follows :

	2004		2003	
	US\$ (%)	EUR (%)	US\$ (%)	EUR (%)
Funds borrowed	3.4 – 4.1	3.6 – 3.7	2.9-3.0	3.4-3.7

The repayment plan of long-term funds borrowed from banks as of December 31, 2004, is as follows :

Year	US\$	EUR	Total YTL Equivalent
2005	6,560,803	7,938,247	23,306,845
2006	3,521,416	8,156,409	19,626,221
	10,082,219	16,094,656	42,933,066

10. INCOME TAXES

Effective corporation tax rate for 2003 is 30%. However, with Law No. 5035 published at January 2, 2004, only for the year 2004 the corporation tax will be calculated at 33%. Therefore, the effective corporation tax rate of 2004 is 33%, whereas it reverts to 30% beginning from January 1, 2005.

Corporate tax returns are required to be filed until the fifteenth of the fourth month following the balance sheet date and paid in one installment until the end of the fourth month. The tax legislation provides for a temporary tax of 33% (2003-30%) to be calculated and paid based on earnings generated for each quarter. The amounts thus calculated and paid are offset against the final corporate tax liability for the year.

In 2003 and prior years, corporation tax was computed on the statutory income tax base without any adjustment for inflation accounting. Starting from January 1, 2004, taxable income is derived from the financial statements which are adjusted for inflation accounting. Accumulated earnings arising from the first application of inflation accounting on December 31, 2003 balance sheet is not subject to corporation tax, and similarly accumulated deficits arising from such application is not deductible for tax purposes. Moreover, accumulated tax loss carry-forwards related with 2003 and prior periods will be utilized at their historical (nominal) values in 2004 and future years.

Effective from April 24, 2003, investment allowances provide a deduction from the corporate tax base of 40% of the purchase price of purchases of the brand-new fixed assets having economic useful life and exceeding YTL 6,000 and directly related with the production of goods and services. Investment allowance that arose prior to April 24, 2003 is taxed at 19.8% (withholding tax) unless they are converted to new type at companies' will. All investment allowances can be carried forward indefinitely.

10% withholding applies to dividends distributed by resident corporations to resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax. Dividend distributions by resident corporations to resident corporations are not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Tax losses can be carried forward for a maximum period of five years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

A & T Finansal Kiralama Anonim Şirketi
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2004
(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

10. INCOME TAXES (continued)

Components of income tax expense for the years ended December 31 are:

	2004	2003
Income statement		
Current income tax		
Current income tax charge	-	-
Deferred income tax		
Relating to origination and reversal of temporary differences	4,586,137	(62,145)
Income tax benefit (charge) reported in income statement	4,586,137	(62,145)

A reconciliation of income tax benefit / (expense) applicable to profit from operating activities before income tax at the statutory income tax rate to income tax credit/expense at the Company's effective income tax rate for the years ended December 31, 2004 and 2003 was as follows :

	2004	2003
Income before provision for taxes and after monetary loss, being basis for tax reconciliation	2,094,525	2,206,794
Net provision for taxes at the effective tax rate	(691,193)	(436,945)
Tax effect of disallowables	(49,625)	-
Tax effect of investment allowances	4,623,702	537,065
Tax effect of rate change and other	703,253	(162,265)
Income tax credit / (charge) per accompanying statements of income	4,586,137	(62,145)

Deferred income tax at December 31, 2004 and 2003 relates to the following :

	Balance Sheet	
	2004	2003
Accounting of finance lease	2,568,662	(712,062)
Unused tax credits of unutilized investment incentive allowances	2,768,265	-
Employee termination benefits	16,884	-
Less: Valuation allowance	(1,393,388)	-
Net deferred income tax asset / (liability)	3,960,423	(712,062)

A & T Finansal Kiralama Anonim Şirketi
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2004
(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

10. INCOME TAXES (continued)

Movement of net deferred tax (liability) / asset can be presented as follows:

	2004	2003
At January 1	(712,062)	(740,532)
Deferred income tax recognized in income statement	4,586,137	(62,145)
Monetary gain	86,348	90,615
At December 31	3,960,423	(712,062)

11. EMPLOYEE TERMINATION BENEFITS

Under the Turkish Labor Law, the Company is required to make lump-sum termination indemnities to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. The amount payable consists of one month's salary limited to a maximum of YTL 1,574 for each year of service. As of January 1, 2004, retirement pay liability ceiling was increased to YTL 1,649.

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

The Company adopted IAS 19 (revised) (Employment Benefits). Accordingly, the reserve for retirement pay liability has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees.

IAS 19 (revised) requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly, the following actuarial assumptions were used in the calculation of the total liability as of December 31, 2004 and 2003.

	2004	2003
Discount rate (%)	10	18
Expected rate of limit increase (%)	16	25

Actuarial gains and losses are recognized in the income statement in the period they occur.

Additionally, the principal actuarial assumption is that the maximum liability of YTL 1,574 for each year of service would increase in line with inflation and has been taken into consideration in calculating the reserve for employment termination benefits of the Company as of December 31, 2004.

The movement in provision for retirement pay liability in 2004 and 2003 is as follows:

	2004	2003
At January 1	26,026	23,781
Increase during the year	33,410	5,155
Monetary gain	(3,156)	(2,910)
At December 31	56,280	26,026

A & T Finansal Kiralama Anonim Şirketi
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2004
(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

12. SHARE CAPITAL

As of December 31, 2004 and 2003, the composition of shareholders and their respective percentage of ownership can be summarized as follows:

	2004		2003	
	Amount	%	Amount	%
Arap Türk Bankası A.Ş.	10,997,800	99.980	5,998,800	99.980
Nuri Güzveli	550	0.005	300	0.005
Mehmet Muzaffer Hasim	550	0.005	300	0.005
Barbaros Bektaşoğlu	550	0.005	300	0.005
Bige Sungur	550	0.005	300	0.005
Total in historical YTL	11,000,000	100	6,000,000	100
Restatement effect	5,960,923		5,611,137	
Restated capital	16,960,923		11,611,137	

13. LEGAL AND GENERAL RESERVES

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted.

As of December 31, 2004 and 2003, the Company's reserves, accumulated profits balances, as reflected in the statutory financial statements are as follows :

	2004	2003
Legal reserve	427,097	151,383
General reserve	954,458	15,912
Prior year profit	3,674,310	-

A & T Finansal Kiralama Anonim Şirketi**NOTES TO THE FINANCIAL STATEMENTS (Continued)**

December 31, 2004

(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

14. RELATED PARTY DISCLOSURES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. The Company is controlled by Arap Türk Bankası A.Ş. (the Bank), which owns 99.9% of ordinary shares. For the purpose of these financial statements, shareholders of the Company and the bank are referred to as related parties. Related parties also include individuals that are principal owners, management and members of the Board of Directors and their families.

In the course of conducting its business, the Company conducted various business transactions with related parties on commercial terms and at rates which approximate market rates.

	2004	2003
Demand Deposit	78,555	6,421
Time Deposit	808,060	-
Leasing Receivable	23,254	-
Leasing Revenue(interest)	34,721	34,630
Interest Income	7,134	9,715
Repo Income	13,463	-
Notary Commission Income	2,295	5,759
Letter of Guarantee Commission Expenses	24,680	6,256

15. FINANCIAL INCOME (EXPENSE)

	2004	2003
Interest Income	3,375,994	3,173,071
Foreign Currency Losses	(88,920)	(52,930)
Borrowing Expenses	(1,627,369)	(1,220,431)
Financial income, net	1,659,705	1,899,710

16. MARKETING GENERAL AND ADMINISTRATIVE EXPENSES

	2004	2003
Salaries and Employee Benefits	1,568,635	1,472,505
Depreciation and Amortization Expenses	64,837	76,170
Office Expenses	380,075	687,368
Services from Third Parties	134,898	132,538
Taxes and Duties	52,630	46,839
Other Administrative Expenses	317,457	12,802
	2,518,532	2,428,222

A & T Finansal Kiralama Anonim Şirketi

NOTES TO THE FINANCIAL STATEMENTS (Continued)

December 31, 2004

(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

17. SALARIES AND EMPLOYEE BENEFITS

	2004	2003
Staff costs		
Wages and salaries	1,355,184	1,268,409
Benefits to management	74,605	90,941
Employer's share of social security premiums	78,337	64,628
Provision for employee termination benefits	33,410	5,155
Other fringe benefits	27,099	43,372
	1,568,635	1,472,505

18. CONTINGENT LIABILITIES

	2004	2003
Letters of guarantee given	23,818,607	20,863,600

In 2004, tax authorities required the Company to correct their unused investment allowance balance by TL 821,774 due to certain wrong computations made in 1999, 2000 and 2001. The Company rejecting this claim, filed a law suit. Since the outcome of the legal case is not known as of the preparation date of the accompanying financial statements, no provision is made.

19. 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 exemption from custom duties on machinery and equipment to be imported and investment allowance at 40% on the approved capital expenditures.

Investment allowance takes the form of a deduction from taxable profits for the purpose of corporation tax calculations. The Company has unused investment allowances amounting to YTL 11,647,548 to be used in the coming years.

20. FINANCIAL RISK MANAGEMENT

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the creditworthiness of counterparties.

Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry or geographic location.

A & T Finansal Kiralama Anonim Şirketi
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2004
(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

20. FINANCIAL RISK MANAGEMENT (continued)

The Company seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate.

Liquidity Risk

The Company's policy is to match cash outflow mainly arising from repayments of the funds borrowed and cash inflow mainly arising from lease receivables maintained in the portfolio. Repayment schedules of leasing contracts made with the customers are structured considering the funding and equity base of the Company.

In addition, the Company maintains reasonable amount of cash on hand in order to protect itself against the risk of deviation from the expected in and out cash flows in an unfavourable manner.

The table below analyses assets and liabilities of the Company into relevant maturity groupings based on the remaining period at balance sheet date to contractual maturity date.

(in thousands of YTL)

	Up to 1 month	1 to 3 months	3 to 6 months	6-12 months	1 to 5 Years	Total
At December 31, 2004						
Total assets	3,802	29,120	4,762	9,540	17,679	64,903
Total liabilities	753	2,013	9,507	11,614	41,016	64,903 (*)
Net liquidity gap	3,049	27,107	(4,745)	(2,074)	(23,337)	-
At December 31, 2003						
Total Assets	2,582	20,491	4,931	9,486	16,205	53,695
Total Liabilities	1,310	-	4,766	19,859	27,760	53,695 (*)
Net liquidity gap	1,272	20,491	165	(10,373)	(11,555)	-

(*) For the purpose of the above table, equity is classified under 1 to 5 years.

A & T Finansal Kiralama Anonim Şirketi
NOTES TO THE FINANCIAL STATEMENTS (Continued)
December 31, 2004
(Currency – New Turkish Lira in equivalent purchasing power at December 31, 2004)

20. FINANCIAL RISK MANAGEMENT (continued)

Currency Risk

Foreign currency denominated assets and liabilities together with purchase and sale commitments give rise to foreign exchange exposure. The Company enters into various types of foreign exchange contracts in managing its foreign exchange risk resulting from cash flows from business activities and financing arrangements denominated in foreign currencies. The concentrations of assets and liabilities in foreign currencies are as follows:

(In thousands of YTL)

	EUR	US\$	Total
At December 31, 2004			
Total assets	29,552	14,144	43,696
Total liability	29,591	13,590	43,181
Net position	(39)	554	515

At December 31, 2003

Total assets	27,354	10,953	38,307
Total liabilities	29,844	9,597	39,441
Net position	(2,490)	1,356	(1,134)

Interest Rate Risk

Interest rate risk arises from the possibility that changes in interest rates will affect the value of financial instruments. The Company is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or reprice in a given period. The Company manages this risk by matching the repricing of assets and liabilities through risk management strategies.

The table below summarizes the Company's exposure to interest rate risk on the basis of the remaining period at the balance sheet date to the re-pricing or contractual dates whichever is earlier.

(In thousands of YTL)

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Non-interest bearing	Total
At December 31, 2004							
Total assets	25,388	3,732	4,762	9,540	13,753	7,728	64,903
Total liabilities	9,361	11,024	22,263	-	-	22,255	64,903
Interest sensitivity gap	16,027	(7,292)	(17,501)	9,540	13,753	(14,527)	-

At December 31, 2003

Assets	11,274	11,176	4,931	9,486	16,262	566	53,695
Liabilities	1,310	-	4,766	19,859	14,471	13,289	53,695
Interest sensitivity gap	9,964	11,176	165	(10,373)	1,791	(12,723)	-