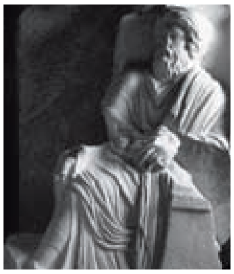
EKSPO FAKTORİNG
ANNUAL REPORT 2008

“**Our mission** is to closely monitor developments in the world so as to facilitate the adoption of the contemporary financing and service techniques of factoring across Turkey, thus generating dynamic solutions to meet the needs of our clients. We will continue providing services that will result in the highest levels of client satisfaction. **Our vision** is to see our total assets grow to US$ 1 billion and become one of the five largest factoring companies in the sector within five years. **Our Strategic Goals** are to operate in a client-oriented manner, to be innovative and to achieve quality, speed and consistency in service, to become the leader in the sector and to sharpen our competitive edge, thereby achieving stable and profitable growth. We aim to become a company operating on an international scale, contributing to the Turkish economy, acting as a pioneer in the development of the sector as well as being a company known for employees who are proud to be part of the organization.”

Ekspo Faktoring is a sponsor of the Geyre Foundation's "Aphrodisias Excavations" and is proud to be a part of this project which highlights our cultural heritage.

As a corporate citizen, displaying awareness of the collective values of society, Ekspo Faktoring will continue to support social responsibility projects in the future as well.

Meleagros and Atalante



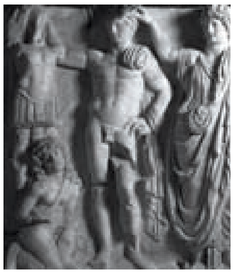
The Seated Zeus

Anchises and Aphrodite

Apollo and Hero

Emperor Augustus and Nike

Aphrodite, Crowned by Virtus

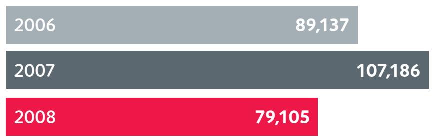


Emperor and Romans

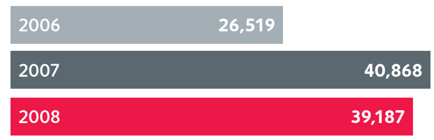
The relief photographs in this report were taken by Mesut Ilgım, honorary member of the Geyre Foundation.

FINANCIAL HIGHLIGHTS

Total Assets (US$ thousand)



Total Shareholders' Equity (US$ thousand)



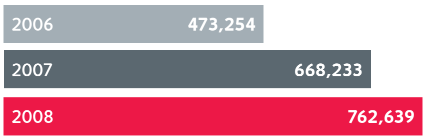
Financial Highlights	2006	2007	2008
	(US$ thousand)	(US$ thousand)	(US$ thousand)
Total Assets	89,137	107,186	79,105
Total Shareholders' Equity	26,519	40,868	39,187
Paid-in Capital	17,984	28,144	26,634
Net Working Capital	24,975	39,143	37,623
Factoring Receivables	87,116	105,053	72,834
Factoring Payables	0	0	255
Net Advances to Clients	87,116	105,053	72,579
Bank Loans	61,582	65,225	38,628
Total Income	21,214	26,073	32,487
Factoring Income	20,872	25,636	31,612
Net Profit	7,004	9,438	10,233

Ekspo Faktoring Ratings

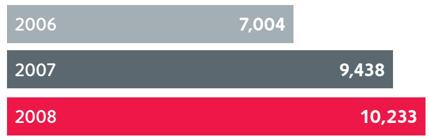
Fitch Ratings
BBB+

Moody's
Baa1.tr

Factoring Turnover (US$ thousand)



Net Profit (US$ thousand)



Financial Ratios (%)	2006	2007	2008
Current Ratio	1.40	1.59	1.94
Liquidity Ratio	1.40	1.59	1.94
Net Working Capital / Total Assets	28	37	48
Liquid Assets / Total Assets	98	98	100
Debt / Assets (Financial Leverage)	70	62	50
Equity / Debt (Financial Ratio)	42	62	98
Financial Liabilities/Total Assets	69	61	49
Interest Coverage Ratio (Times)	1.99	2.34	2.37
Average Collection Period (Days)	92	80	75
Total Expenses / Turnover	2	2	2
Gross Profit Margin	25	27	37
Net Profit Margin	10	12	18
Return on Equity	34	32	33

Factoring Turnover (US$ million)	2006	2007	2008
Total Turnover	473	668	763
Domestic	394	551	612
International	79	117	151
Export	73	113	149
Import	6	4	2

MESSAGE FROM THE CHAIRMAN OF THE BOARD AND GENERAL MANAGER

2008 will be recalled as a year of global crisis, which originated in the mortgage loan market in the U.S. and rapidly spread to the rest of the world. Problems in mortgage loans' structure, booming housing prices caused by virtual increases, an imbalanced interest structure and the broad presence of derivative products in the finance markets are the major reasons for the crisis. Following the extensive and destructive impact on real economies in the last quarter of 2008, the initial belief that the crisis would be restricted to the finance sector was soon replaced by more pessimistic scenarios. When Europe, Turkey's largest export market, was also impacted by the crisis, serious breakdowns were experienced in the Turkish economy as well. Although the troublesome period did not exclude the factoring sector, Ekspo Faktoring completed the year successfully in financial and operational terms.

Initial signs of slowdown, which are expected to exist for a long period in the world economy, commenced in 2007. Many banks in the U.S. recorded extraordinary losses due to the decline in housing prices, which were financed by mortgage loans. Also during this time, we witnessed the purchase of Merrill Lynch by Bank of America, the bankruptcy of Lehman Brothers, as well as the transformation of Goldman Sachs and Morgan Stanley into commercial banks. Corporations which insure credit transactions were also added to this chain.

The leading economies of the world transferred capital to their banks in order to decrease the impact of this negative stream. Concordantly, the U.S. recorded a historically large deficit due to these transfers. Economic rescue packages were announced one after another to meet the cash flow requirements of banks and prominent corporations. Aiming to stop the bleeding in the economy, the next American President is expected to introduce an even stronger rescue package.

Along with these developments, the Federal Reserve lowered interest rates to 0.25%, whereas the European Central Bank felt the need for a more precautious and gradual decrease, thus holding rates at around 2.5%. In the beginning of 2008, US$/Euro parity reached 1.60 as a result of crisis indicators and fell to 1.30 towards the year's end, when a belief emerged that the U.S. would rise from the crisis sooner than expected.

In contrast to this negative picture, the Turkish banking system was impacted relatively less from the global crisis, which is a very important factor in inducing confidence. Many foreign banks neared bankruptcy due to liquidity crunches, whereas Turkish banks entered the crisis with liquid positions and with a strong standing. We are undergoing times when fund raising possibilities in international markets are limited, and where risk management is becoming the most prominent field.

A reduced risk appetite in the international arena will result in a decrease in borrowing opportunities for the banking system and private sector. On the other hand, another possible threat facing Turkey is that exports to European countries, which constitute 60% of our total export market, are coming to the edge of a slowdown.

As for 2009 projections, we can say that the fiscal system is becoming tighter and that the private sector may undergo difficult times when seeking resources. In order to overcome this difficult period with the least damage possible, the government should sign a stand-by contract with the IMF and announce a package to start a reform program.

On the global scale, the factoring sector had been recording a yearly growth performance above 20%, apart from the stagnation in 2005. In 2006, the global factoring turnover was US$ 1.5 trillion, and this figure rose to US$ 1.9 trillion at the end of 2007. According to FCI's (Factors Chain International) data, the global factoring market maintained the same level of US$ 1.9 trillion in 2008 in terms of turnover.

With regard to 2009, the prevailing expectation is that the sector will decline due to the global economic crisis. The factoring sector enjoyed a golden period in Turkey in 2008. One of the major reasons behind this is that banks, cautious in granting loans, led customers towards receivable financing. The total turnover of the members of the Turkish Factoring Association rose by 15% and approximated US$ 25 billion. Among this total, the largest share belonged to domestic factoring, with US$ 21 billion. This is followed by an export of US$ 3.5 billion and an import of US$ 248 million. In the coming year, this turnover is expected to remain fairly stable, or undergo a minor decline.

With the help of the services it provides, Ekspo Faktoring supports customers by financing export, import and domestic transactions. Our Company managed to close 2008 with growth, thanks to a strong capital structure, the correct use of resources and strengthened risk management applications. The announced profit for 2007 was YTL 15.2 million, whereas the 2008 profit is YTL 19.3 million. Shareholders' equity rose from YTL 47.6 million to YTL 59.3 million. Impaired receivables for this period were around 3.25% of our assets.

The biggest assurance for our future success is our corporate structure, backed with a solid capital base, our solution-oriented service approach and our staff, comprised of the best professionals in the sector. High ratings assigned to the Company by credit rating agencies provide evidence in this context. From 2009 onward, all Ekspo Faktoring customers will be analyzed with the help of a new rating system. According to this new system, the risk assessment of the companies applying for new credit lines, or asking for an increase in credit lines, will be evaluated on the basis of objective criteria. We have strengthened our internal audit practices, improved our credit granting process with the new rating system and welcomed new employees. Thus, we are entering 2009 in a stronger and better prepared manner.

If we closely follow the global economical dynamics, we are projecting a 20% increase in our transactions for 2009. In order to reach our forecasted 2009 budget, we plan to emphasize export.

In 2009, Ekspo Faktoring intends to be precautious. Thanks to our strong international relations, our qualified employees and effective risk management, I am confident that we are going to preserve our pioneering and leading position in our sector in the future, as we have in the past. I would like to thank the Ekspo Faktoring management, our employees, our customers and all our business partners sincerely, for sharing this belief and trust with us.

Yours Respectfully,

Murat Tümay
Chairman of the Board and
General Manager

Ekspo Faktoring owes its strong position in the sector to its highly qualified human resources, contemporary business approach and corporate culture. As one of the most dynamic companies in the sector since its founding, Ekspo Faktoring has always been staffed with a highly qualified, competent and exceptionally well-equipped group of employees, each one with prior banking experience. Thanks to this staff, all the domestic and international factoring demands of our clients can be met.

CORPORATE PROFILE

Since its inception, Ekspo Faktoring has always been ranked among the top 10 companies. Thanks to its expertise in foreign trade transactions and close relationships with its international correspondents, the Company's share of export-import transactions in its overall transaction volume is much higher than its competitors. Further expanding its correspondent network in line with the growth of Turkey's foreign trade volume in the past few years, Ekspo Faktoring is continually increasing the number of banks and financial institutions with which it works.

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Considering innovation to be an indispensable part of its corporate culture, Ekspo Faktoring closely monitors domestic and international developments with this approach. The Company, distinguished with the importance it gives to human resources development in its sector, undertakes regular training and makes sure that its staff is always equipped with the most up to date information. Thus, Ekspo Faktoring has a pioneering and trailblazing position in introducing new products to the sector. Another characteristic of Ekspo Faktoring's pioneering role in the sector is the importance it gives to its technological infrastructure.

Ekspo Faktoring is a member of the Factoring Association of Turkey, which performs an important role in the development of factoring in Turkey. Furthermore, the Company joined Factors Chain International (FCI), the largest factoring services network in the world in 2004. Thanks to its annual turnover of US$ 763 million, the Company has managed to maintain its successful position in the sector in 2008.

Ekspo Faktoring, with its strong capital structure, managed to serve its customers with the same approach despite the global crisis environment in 2008, and is determined to preserve its solution-oriented approach in 2009 as well. The Company will continue its stable growth in the factoring sector, with the establishment of its strong domestic and international relations.

BOARD OF DIRECTORS

Betül Akan
Board Member

Murat Tümay
Chairman of the Board

Erhan Meral
Board Member

Zeynep Akçakayalıoğlu
Deputy Chairman

SENIOR MANAGEMENT

Murat Tümay
General Manager

Betül Akan
Assistant General Manager
in Charge of Marketing and Client Relations

Erhan Meral
Head of Financial and
Administrative Affairs Group

OVERVIEW OF 2008

In the second half of 2007, mortgage-loans induced a financial crisis in the U.S. which rapidly paralyzed the financial sector and grew on a global scale. This crisis interrupted the steady growth in the world economy, a growth which had been observed since 2002. Interest rate cuts, executed by the FED, liquidity injections into the markets and capital support were unsuccessful in lessening the impact of the turbulence in the financial markets. Initial estimations about the duration and depth of the crisis were readjusted to more pessimistic scenarios with the emergence of larger than expected losses in international financial corporations' annual financial statements.

This crisis originated in the U.S., where financial institutions had been granting credit to low income groups due to the FED's low interest policy that lasted until five years ago. Major problems in repayments emerged afterwards when interest rates were increased. Over time, this process led to the bankruptcy of huge investment banks and insurance companies.

The crisis, initially affecting only the financial markets, started to threaten the real sector and gained strength in the last quarter of 2008. A decline in demand led to a big decrease in energy, food and commodity prices. Losses in real sector company balance sheets, accompanied by the insecurity in financial markets and liquidity problems, converted slowdowns into a global decline. This crisis initially started in the Euro region, and then spread to England, Japan, China, Russia and the Gulf countries, after which the entire world was negatively impacted by this process. In the last quarter of 2008, the U.S. economy declined by 6.2%, Japan by 12% and Europe by 6%. Along with these developments, a decline of approximately 30% in export rates was observed in countries such as Turkey, China, India, Japan, Chile and Brazil.

In 2007, the economies of emerging countries were relatively less impacted by the crisis than the economies of developed countries. However, in the upcoming period, the decreasing demand of developed countries, coupled with a global liquidity problem, will create difficulties in emerging countries as well. Decreases in foreign investment and capital activities along with a fall in commodity prices, are among the reasons why emerging countries entered 2009 with major problems. Foreign investment activities in emerging countries declined considerably, from around US$ 800 billion in 2007 to US$ 240 billion in 2008. This decline is expected to continue in 2009 with a value of US$ 85 billion, approximately.

The Turkish banking system was less impacted in comparison to the U.S. and European banks. The economic program which was applied after the 2001 crisis, strong capital structures and indeed shortage in availability of derivative products that have induced the crisis, built the resistance points of the Turkish banking system. Consequently, as of the end of 2008, the global banking system was faced with a loss of over US$ 100 billion, whereas the Turkish banks completed the year with profits.

The impact of the global crisis upon the Turkish real economy can be observed primarily in the export volume decline. In recent years, the export volume increased dramatically, thanks to export promoting strategies. The export volume noted an increase of 23% over the last year, reaching over US$ 10 billion a month in 2008, totaling US$ 132 billion over the year. However, beginning in the last quarter of 2008, the export volume was impacted by the decrease in world demand and noted a decline of up to 30%. When Euro/US$ parity change is taken into consideration, the real decline is around 18%, but this downward trend is not expected to slow down. In addition, exporters were experiencing difficulties due to the overvalued Turkish lira until the last quarter of 2008. The demand decrease was accompanied by devaluation of YTL, emerging as a serious obstacle to increases in revenue. In 2008, imports increased by 19% and reached US$ 202 billion.

On the other hand, the loosening of the economic policy, due to the March 2009 local elections, seems to be the biggest obstacle to an agreement with IMF. Where trust is the biggest asset, this creates an uncertain environment in the Turkish economy. Under these circumstances, almost all commodity and input prices, beginning with oil prices, declined. As a consequence, there is concern that serious difficulties will be experienced in financing the current deficit, which is expected to decline to US$ 20 billion.

Influenced by these developments, the Turkish economy, which was constantly growing until the middle of 2008, started to decline from the last quarter onward. The global economy and the Turkish economy, both having left behind a difficult 2008, will once again be faced with difficult conditions, where it is unclear what direction will be taken or how the situation will end.

The authority to regulate the factoring sector was transferred to the Banking Regulation and Supervision Agency (BRSA) in 2006. BRSA issued a series of communiqués, decrees and regulations to regulate the sector and requested the compliance of all companies. This process, which began in 2006, brought great dynamism to the sector. As well, the resulting transformation will be very valuable and meaningful in the long run. It will give the factoring companies a much more respected standing in the financial markets.

The factoring sector, having reached a 15% increase in 2008, slowed down with the uncertainty and the liquidity problem in financial markets in the last quarter of 2008. Today, the risk factor, increasing with the financial crisis, and measures to be taken are the most important issues of the sector.

Meleagros and Atalante

In the big central panel, three figures compose a silent and static expression (A-C). Figure A on the left is a young God or hero, who wears a short cape and a peaked hat. He is drawn from the side view and is obviously raising his hand to place a crown on the head of Figure B. Figure B is a young hero, who has short hair, carries a sword belt and is dressed in a tunic and sandals. He is sitting in the middle of the composition, on a rocky spot. Figure B is tying the bands of his sandals. A big, fluffy dog, wearing a broad lead lies under his legs. It is in a sitting position viewed from the front. Figure C is standing on the right side of the panel. She is wearing a tunic similar to the Amazons and carries a short cape and a quiver on her shoulder. She is obviously Atalante. In this case, the main hero of the scene is assumed to be Meleagros.

FINANCIAL ADVANTAGES OF EKSPO FAKTORİNG

The primary strength of Ekspo Faktoring A.Ş. is its know-how, funding structure and human resources that enable the Company to pre-determine the needs of its clients and develop the right financing models. With the value this strength adds to the Company, its goal is to include domestic and foreign companies of various sectors that need effective and quick financial solutions, in its client portfolio.

Wide Range of Products and Services

The key to Ekspo Faktoring's successful performance since its inception can be explained by its development of a wide range of products and services that meet clients' needs and how it focuses its efforts on client satisfaction under all circumstances. In addition to diversifying its products and services, the Company continuously invests in human resources and information technology infrastructure in order to enhance efficiency. As a company that introduces many new products to the market, Ekspo Faktoring will continue to provide the sector with innovations within the limits set by legislation.

In terms of international transactions, the Company offers a wide variety of products and services to its clients, such as Non-Recourse Export Factoring, Export Factoring with Recourse, Export Letters of Credit Assignment, Assignment of Export Receivables backed by Accepted Drafts, Import Factoring and Direct Factoring.

In terms of domestic transactions, the Company offers various factoring products and services, such as Undisclosed Receivable Assignment, Disclosed Receivable Assignment, and Assignment of Collateralized Receivables.

In addition to domestic and international transactions, the Company also provides services including consulting services on market and sector analyses, technical support services in project finance, issuance of letters of credit abroad and the procurement of external guarantees.

Solid Capital Base

Partners of Ekspo Faktoring raise the free capital of the Company by a rate that is higher than the rate of inflation every year. Thus, the Company's shareholders' equity reached YTL 60 million by the end of 2008.

Ekspo Faktoring, financing a certain portion of its operational transactions with its equity, is considered a reliable business partner and a good risk manager by the correspondents, financiers and credit rating agencies it collaborates with.

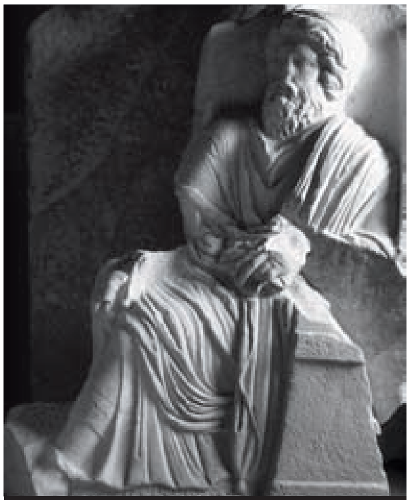
Solid Financial Results

As a principle, Ekspo Faktoring develops financial solutions in every field of factoring in cooperation with its customers, financing any kind of receivables, such as domestic and international, on a project basis or closed sales. It ranks in seventh place among the companies which are members of the Ekspo Faktoring Association. In 2008, the Company succeeded in adding over 100 new companies to its portfolio, as in the previous year.

In 2008, Ekspo Faktoring succeeded in realizing a US$ 763 million factoring transaction volume and managed to preserve its effective position in the sector. The profit for 2008 is YTL 19.3 million.

Ekspo Faktoring, having no short position, gained all its profit from net interest income. Furthermore, the Company does not have maturity risk, liquidity risk or exchange rate risk exposure.

Ekspo Faktoring has the lowest debt ratio among the companies that are active in the factoring sector. Pursuant to a BRSA regulation, the maximum amount of receivables a factoring company can possess is limited to 30 times its equity. This multiple is the limit used by many factoring companies. However, since Ekspo Faktoring operates with a very low debt-to-equity ratio, this multiplier is only 1.88. The benefits of this strategy that has been carried out for many years were tested positively during the liquidity crisis in the end of 2008. At that time, the Company was able to meet its customers' financing needs with a strong capital.


The Seated Zeus

Zeus, King of the Gods, old and bearded, sits on his thrown, wearing a "chiton" and "himation", which cover his body... The size and the position of the embossing, lead us to believe that the artists of Aphrodisias positioned it in the middle of the temple and opposite him there is a missing figure.

99% of the Company's receivables are "with recourse". Ekspo Faktoring's management limited the Company's maximum exposure to any sector to 20%. The Company pays special attention to ensure that the share of a single debtor in the receivables assigned by one client does not exceed 5% of that client's total risk. Although percentage of non-performing loans in the sector is around 8.9%, Ekspo Faktoring's are 3.3%, which is a sign of the trustworthiness and stability of the established rating system.

The primary strength of Ekspo Faktoring A.Ş. is its know-how, funding structure and human resources that enable the Company to pre-determine the needs of its clients and develop the right financing models. With the value this strength adds to the Company, its goal is to include domestic and foreign companies of various sectors that need effective and quick financial solutions, in its client portfolio.

Ekspo Faktoring, applies a risk assessment system when deciding and identifying the companies to work with. In order to make this system more efficient and ensure that healthy and correct credit decisions are taken, counseling services from prominent rating companies are employed. The Company uses a risk assessment system and follows the markets closely in order to incorporate companies with a low risk ratio to the portfolio.

Ekspo Faktoring sees its clients as long-term, lasting business partners. It is the Company's main responsibility to meet their resource and liquidity requirements and to support their enterprises via the inexpensive and continuous funding flow secured from domestic and overseas financial institutions.

With the contributions of its solid equity and high credit ratings assigned by the international rating agencies, Ekspo Faktoring will continue to quickly create low-cost funding resources for our clients in 2008 as well.

CREDIT RATINGS OF EKSPO FAKTORİNG

As one of the leading companies in the sector, with its solid capital structure, innovative approach, correct strategies and professional management, Ekspo Faktoring believes that the ratings assigned by the independent rating agencies are extremely important.

Moody's: Baa1.tr

In 2007, Ekspo Faktoring was rated by the international rating agency Moody's as first in the Turkish factoring sector. Moody's assigned Ekspo Faktoring a long-term foreign currency and Turkish lira credit rating of Ba3 with a "stable" outlook in 2007. In addition, Moody's assigned Ekspo Faktoring a national credit rating of Baa1.tr. The rating obtained from Moody's has been maintained in 2008. Moody's announced that the rating assigned is a result of the Company's profitable operation, high level of equity, asset quality and strong market position in the factoring sector. They added that Ekspo Faktoring is good in risk management and corporate governance.

Fitch Ratings: BBB+

As a first in its sector, the Company was assigned a local credit rating of BBB (tur) by the international rating agency Fitch Ratings in 2006. This credit rating was revised to BBB+ (tur) by Fitch Ratings in 2007, and was maintained in 2008. Thanks to its professional management approach, strong capital structure and professionalism in credit portfolio management, Ekspo Faktoring managed to obtain such high ratings.

MARKET POSITION OF EKSPO FAKTORİNG

Ekspo Faktoring ranks seventh among the members of the Factoring Association of Turkey. The Company is mostly involved with domestic and international contracting, tourism, textile, machinery and equipment sectors. The Company aims to provide services to companies from various sectors, selling domestically or abroad, operating on project, order or contract basis.

When the Company decides to undertake financing in a sector, it first researches that sector in detail, determines its needs and makes meticulous efforts to get to know the clients as best as it can. As a result of these efforts, financing is only provided at the point when the Company is convinced that it is on the same page as the client.

Ekspo Faktoring aims to increase its industrial diversity and has financing means of US$ 150 million from many banks in Turkey and abroad. The Company's credit ratings have been an important factor in its accomplishments in international relations. Favorable rating results have further reinforced the Company's relationship within the international finance circles.

Ekspo Faktoring operates on a client satisfaction-oriented approach. The Company identifies the needs of its clients with their cooperation and believes that developing products accordingly is a very important factor leading to success. The Company has been developing and offering products such as contract financing, pre-sale financing and supplier financing since 2006. The shares of these products in total factoring services have been increasing rapidly in terms of both revenue and placement.

Ekspo Faktoring considers human resources as the biggest assurance in maintaining its market position.

The staff, consisting of competent and productive employees who have previously held important positions in Turkey's leading banks and have the ability to always be on the same page as the clients, is the primary factor leading the Company to success.

One of the basic principles Ekspo Faktoring follows is the corporate governance approach. Corporate management strives to ensure that all units adopt this approach.

Anchises and Aphrodite

On the left, we see Troian shepherd/prince Anchises. He is gazing at his lover of only one night, Aphrodite, on Mount Ida. Aphrodite holds little Eros on her lap, which is a hint about the erotic theme of this encounter. On the left upper corner, upon the rocky mountain top, only the head of Selena (moon) can be seen. This explains that they met at night.

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Regarding these efforts, various committees have been formed to enhance communications within the Company. These committees are appointed to introduce innovations and to increase the synergy in the Company by holding meetings in the areas of information technologies, asset quality, human resources and capital. In addition to enhancing communication between the units, the Company has managed to make every unit operate more effectively thanks to these committees. For example, due to the efforts of the capital committee, the Company is now able to provide its shareholders with information on the Company's activities in a much faster and effective manner. Ekspo Faktoring, paying great attention to these committees, sees them as the pioneers of the Company's transformation and restructuring process in corporate governance.

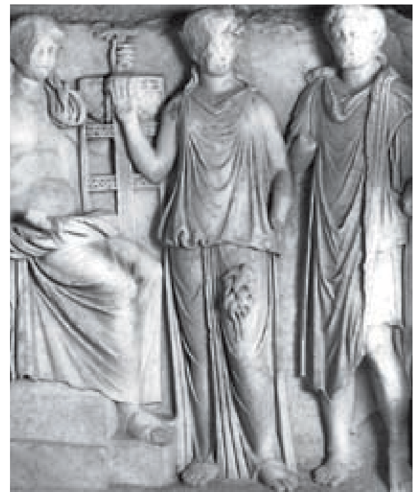
Selectiveness and the High Quality of the Client Portfolio

Since the day Ekspo Faktoring was founded, our clients have been considered to be the solution partners of a relationship based on mutual trust. The Company sees their work as a multi-faceted project while meeting their needs. We have not just limited ourselves to finding solutions to our clients' current problems, but we also tried to identify their potential needs. Thanks to this approach, the Company was able to establish long-term and lasting relationships with its clients. Ekspo Faktoring is proud to be the company with the highest client loyalty in the sector.

Ekspo Faktoring is working with a very distinguished client base. Sustainable client relations are very important for the Company. The Company sets out with the fact that every business relationship is a valuable investment for the parties involved. Ekspo Faktoring constantly monitors portfolio efficiency and strives to achieve the maximum value-added for its clients. The results of these meticulous efforts show themselves in the "client retention ratio" of the Company, namely, a client continuity of 48%.

The Company determines which clients to work with by following a thorough risk assessment process. During this process, the Asset Quality Committee meets weekly to assess existing risks by client. Thus, every client is evaluated in terms of risk, sector, concentration, morality and location with a careful analysis. Companies, which are acceptable, are included in Ekspo Faktoring's client portfolio.

The factoring industry has been carrying out operations under the supervision of BRSA since 2006. The first factoring operations in the finance markets took place in 1990. The initial legal regulation was introduced in 1994. Following the two years of compliance process with BRSA, the sector underwent restructuring and transformation, which helped factoring companies gain a more respected standing in the financial markets.



Apollo and Hero

The factoring turnover increased from US$ 100 million in 1990 to US$ 29 billion in 2007 and reached US$ 28 billion as of 2008. When compared over the first nine months of the previous year, the turnover increased at a rate of 43% and then came to a standstill, following the impact of the crisis in the last quarter of the year. On the other hand, the Turkish factoring sector ranked 15th place in the world with a 1.5% market share in both 2007 and 2008.

The Turkish factoring sector, which has been experiencing a consistent growth in the last three years, is not expected to continue this trend due to the decline in the last quarter of 2008. However it is expected that the factoring industry will increase its share in the finance sector. The predicted decline in GNP and the lessening working capital requirements due to the decreasing commodity prices are important factors in this case. Another characteristic development of the decline is the disparity between the liquidity terms provided by financial institutions and terms needed by the real sector. This will lead companies to cut out the financial sector and transfer their receivables directly to suppliers.

Along with the observed general decrease, a decline in the export factoring volume is also expected. One major reason is the economic decline in the European countries, which hold an important place in Turkey's total exports. Also, the decline in the automotive sector, which is one of the largest export items, is a major factor. Despite the general decrease in interest rates, the increase in the spread of Turkey and in the risk premium of Turkish import companies, along with the decrease in the risk appetite of the foreign FCI member correspondents will cause a decrease in export factoring activities.

Credit guarantee institutions, making the largest contribution to the sector's development worldwide, will also increase their activities in Turkey. Consequently, the domestic provision of non-recourse factoring is expected to commence. However, due to the the latest developments, these institutions decrease guarantees they grant for European and U.S. importers and increase their risk premiums. This is another important factor, which is expected to negatively influence the factoring turnover in Turkey and worldwide.

Apollo is sitting on an elevated platform. He is beside a tripod, which gives us a hint about his identity. This object most likely indicates that it is his temple in Delphi. We observe two figures approaching Apollo. A woman in the middle salutes the God. She raises her right hand and carries a wreath in her left hand next to her hips. Behind her a young hero is standing, wearing a tunic and travel cape. Around his head, there is a flat hair band, symbolizing royalty. This figure is a hero, coming to consult the God. The woman is probably either Apollo's wife or a worshipper of his. The divergent, plain and classic style of this relief, is adopted from the model used by local artists while working on the same subject.

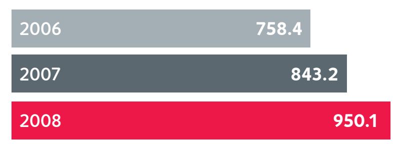
DEVELOPMENTS OF THE FACTORING SECTOR IN TURKEY

The factoring turnover increased from US$ 100 million in 1990 to US$ 29 billion in 2007 and reached US$ 28 billion as of 2008. The Turkish factoring sector ranked 15th place in the world with a 1.5% market share in both 2007 and 2008.

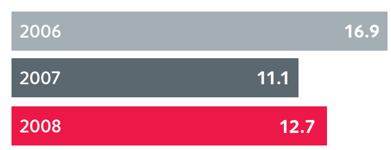
With the exception of the slowdown in 2005, the factoring market has grown by more than 20% every year since 2002. The total global factoring turnover rose from US$ 1.5 trillion in 2006 to US$ 1.9 trillion at the end of 2007. According to data released by FCI, the global factoring market maintained the same level in 2008. In regard to 2009, signals that the factoring sector is expected to decline due to the impact of the global economical crisis have increased.

The developments in exports in recent years influenced the distribution of the factoring turnover and the share of overseas transactions in the factoring market is ever increasing. In 2007, 88.8% of total transactions were domestic, whereas 11.2% were international. These figures were 86.7% and 13.3%, respectively in 2008. We have also observed a change in terms of the breakdown of the overall turnover by country. As of year-end 2007, European countries had 71.6% of the world factoring market, whereas this figure was 67.1% in 2008.

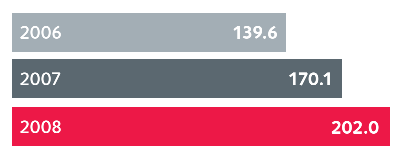
GNP
(In fixed prices) (YTL billion)



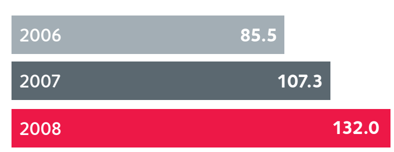
GNP Growth Rate
(In fixed prices) (%)



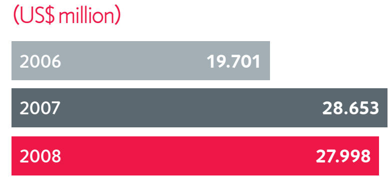
Imports
(US$ billion)



Exports
(US$ billion)



Total Factoring Turnover in Turkey
(US$ million)



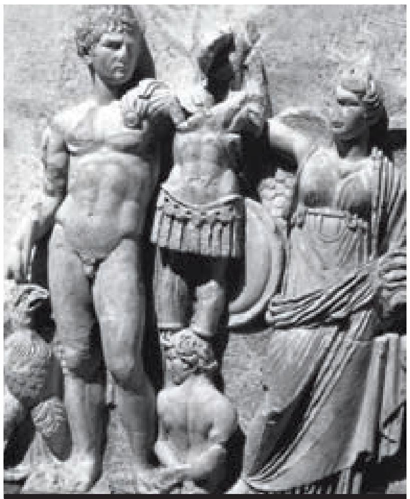
Factoring Market in the World and in Turkey (US$ million)

Year	World	FCI Members	Turkey International	Turkey Total
1990	244,327	98,938	90	100
1991	266,370	104,537	128	183
1992	264,309	106,907	168	454
1993	260,844	110,908	270	970
1994	294,926	130,166	220	870
1995	296,139	161,802	300	958
1996	359,081	170,236	450	1,769
1997	451,869	191,410	550	3,582
1998	536,395	219,656	750	4,750
1999	558,574	245,354	748	5,266
2000	580,172	277,122	921	5,943
2001	617,108	281,612	990	3,552
2002	760,423	350,190	1,260	4,476
2003	950,490	475,243	1,413	6,663
2004	1,161,290	610,104	2,093	10,733
2005	1,199,525	707,467	2,352	13,959
2006	1,497,260	914,304	3,485	19,701
2007	1,896,725	1,107,244	3,935	28,653
2008	1,868,407	1,109,904	4,230	27,998

Breakdown of Factoring Turnover, 2008 (US$ million)

	Domestic	International	Total
Europe	1,092,584	160,248	1,252,832
America	200,291	17,484	217,775
Africa	18,203	498	18,701
Asia	262,120	70,102	332,223
Australia	46,812	65	46,877
Total*	1,620,010	248,397	1,868,407
Turkey**	23,768	4,230	27,998

*Source: FCI
**Source: Factoring Association.



Emperor Augustus and Nike

The naked figure, representing Emperor Augustus, is placed on the left side of the relief. Next to the Emperor's feet an eagle is gazing at Nike, who is situated on the right hand side of the panel. Nike, depicted in a tunic and wings, represents victory and carries a trophy consisting of a breastplate, jambeau and shield, known as the "war prize". Under the trophy, there is a young naked barbarian captive with his hands tied behind his back, and the back of this figure is engraved in the relief. The feet of the other figures are not completed delicately since the roughly processed connection point of this figure and the base of the relief are not visible from below.

FINANCIAL AND OPERATIONAL ACTIVITIES

The Company stands out in the sector with its high level of liquidity. As of year-end 2008, Ekspo Faktoring's total shareholders' equity reached YTL 60 million, while its pre-tax profit amounted to YTL 19.3 million.

REVIEW OF 2008 OPERATIONS

Confidence and strength of capital structure...

Thanks to its solid equity structure, Ekspo Faktoring has always been considered trustworthy by its clients and creditors, since the day it commenced operations in 2000. The Company, having developed lasting and strong client relations, is considered a trustworthy financial institute of the sector by the companies and banks it collaborates with.

The Company stands out in the sector with its high level of liquidity. As of year-end 2008, Ekspo Faktoring's total shareholders' equity reached YTL 60 million. The global crisis that emerged in the second half of 2007 showed that companies today need to focus on liquidity more than ever. Ekspo Faktoring following the principle that "capital is the weapon a financial institution will use in hard times", managed to continue providing its customers with the requested financial support thanks to strong shareholders' equity.

On its way to full FCI membership...

Ekspo Faktoring aims to increase its foreign trade volume. With its solid correspondent network and ever-growing funding resources, it is on its way to full FCI membership. The Company's senior management routinely calls on its correspondent network in order to strengthen the Company's international relationships.

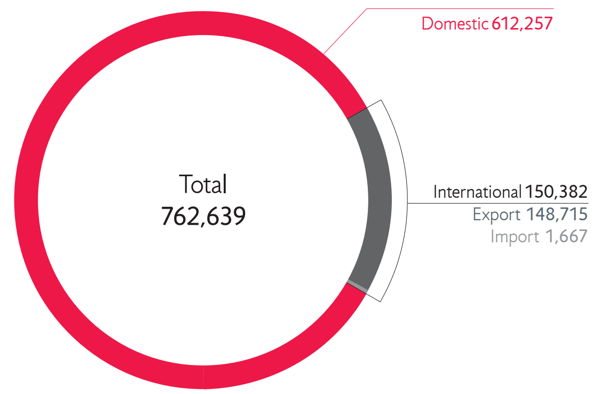
Ekspo Faktoring has been a member of the biggest international factoring service network, FCI, since 2004. FCI was established to contribute to the international business volume in 1968. It is a global factoring chain and its mission is to develop common standards in factoring transactions. FCI has 244 members, is active in 65 countries and handles 80% of the global factoring turnover. The essential FCI membership criteria are: having a strong financial structure, providing high quality service and maintaining these criteria during the course of membership. Ekspo Faktoring, successfully complying with these criteria, was accepted as a member and is continuing its membership.

Thanks to FCI membership, Ekspo Faktoring is using the correspondent factoring company network throughout the world effectively for the international transactions of its clients. In addition, the Company collaborates with the financially strongest companies which provide the highest standard of service. The rapid growth in the international transaction volume that occurred after Ekspo Faktoring joined the FCI is a result of this accomplishment. Having joined FCI as an associate member in 2004, Ekspo Faktoring's goal for 2009 is full membership.

A GLANCE AT THE FUTURE

Ekspo Faktoring supports financial opportunities with strong and lasting international ties with its clients. In 2008, in addition to obtaining guarantee service, the Company managed to stabilize its transaction volume with factoring correspondents, which are providing funds, on a more reliable base. Consequently, transactions realized through this channel became self-funding and as a result, the Company was able to channel its alternative resources towards other ventures.

Breakdown of Ekspo Faktoring's 2008 Factoring Turnover (US$ million)



Regarding growth of international transactions, Ekspo Faktoring will pursue a policy where it will conduct frequent correspondent visits to strengthen existing relationships. Additionally, in order to further strengthen its relationships and to follow developments in international factoring, the Company plans to attend all training and annual meetings organized by FCI, with an increasing number of employees.

INTERNATIONAL FACTORING TRANSACTIONS

Ekspo Faktoring continues its services considering the increase in international business volume and provides the following products to its clients:

Non-recourse export factoring

In non-recourse export factoring for export transactions on a cash-against-goods basis, a guarantee from an overseas correspondent in favor of the buyer to secure payment is required. This product operates within the scope of the limit and guarantee determined by the correspondent. In the event that the buyer fails to make payment, advances paid to the exporter are on a non-recourse basis. The share of non-recourse export factoring transactions constituted 4% of the Company's overall turnover in 2008.

Export factoring with recourse

In export factoring with recourse for cash-against-goods and cash-against-documents export transactions, Ekspo Faktoring pays a maximum of 80% of the invoice to the exporter upon shipment. This product does not contain any guarantees. If the debtors do not pay the invoice amount upon maturity, the exporter is requested to refund the advance payments. The share of export factoring with recourse transactions constituted 16% of the Company's overall turnover in 2008.

Assignment of receivables under export letters of credit

When a term export transaction is covered by a Letter of Credit (L/C), Ekspo Faktoring pays the exporter up to 85% of the amount specified in the letter of credit against the assignment of export receivables. Depending upon the type of L/C, the transaction may either be with or without recourse. The share of such transactions constituted 3.7% of the Company's overall turnover in 2008.

Assignment of export receivables under accepted drafts (forfaiting)

In export transactions backed by accepted drafts, Ekspo Faktoring pays its exporting clients up to 85% of the draft accepted by the importer or guaranteed by the importer's bank. The transaction may be on a recourse or non-recourse basis, depending on the creditworthiness of the debtor company or the guarantor.

Import factoring

Within the scope of import factoring, Ekspo Faktoring provides payment guarantees to its FCI-member correspondents on behalf of its importer clients. Despite the absence of credit insurance in Turkey as of today, Ekspo Faktoring is able to execute import factoring transactions successfully thanks to its vast domestic market experience and knowledge. In addition to import factoring transactions with two factors, Ekspo Faktoring converts cash import transactions into term transactions under its guarantee by avalising the drafts drawn on the importers by exporters. The exporter can then opt to receive payment in cash by having these drafts discounted by international finance institutions.

FINANCIAL AND OPERATIONAL ACTIVITIES

Ekspo Faktoring realized US$ 763 million factoring turnover volume in 2008, with US$ 148.7 million in exports and US$ 1.7 million in imports. Thus, the Company managed to maintain an effective position in the sector.

Direct factoring

In export and import transactions, Ekspo Faktoring provides a guarantee without the need for an intermediary correspondent by directly assuming the buyer's risk. More precisely, it provides guarantee to foreign exporters on behalf of Turkish importers and to Turkish exporters on behalf of foreign importers. Known as direct factoring, this transaction is made possible by Ekspo Faktoring's strong financial standing and its creditworthiness, as well as the fact that it is accepted as a bank in financial circles.

DOMESTIC FACTORING TRANSACTIONS

Disclosed factoring

In disclosed factoring transactions, Ekspo Faktoring provides an advance payment to sellers up to 80% of their invoice amount against the assignment of the receivables arising from open-account sales on credit to domestic clients. Depending on the creditworthiness of the buyer, the transaction may be on a recourse or non-recourse basis.

Undisclosed factoring

In undisclosed factoring transactions, Ekspo Faktoring offers sellers an advance payment up to 75% of the invoice amounts against assignment of the open-account receivables arising from sales on credit to domestic clients. In these transactions, the seller can also collect the receivables; thus, if they are unpaid, the factor has the right of recourse to the seller.

Assignment of collateralized receivables

In the case of sales on credit by companies to domestic clients against postdated checks and notes, where these are accompanied by invoices, Ekspo Faktoring provides financing on a revolving basis, either by discounting the checks and notes or by making an advance payment of up to 80% of the assigned receivables represented by these checks and notes. Depending on the creditworthiness of the check and note drawers, these transactions may be on a recourse or non-recourse basis.

DOMESTIC ACTIVITIES

Ekspo Faktoring, raising its domestic factoring turnover to US$ 612 million, completed 2008 with an 11% increase over the previous year. Upon the impact of the global crisis; however, the turnover declined in the last quarter when compared to previous years. Despite this crisis, Ekspo Faktoring continued growing, thanks to its solid financial structure and strong domestic and international relationships.

The Company managed to diversify risks by including new clients, which operate in many sectors, to its portfolio. Additionally, thanks to the help of a solution-based approach and developed products, which are suitable for the sector and client needs, the Company has developed long term relations with the new clients.

Bridge financing is a new product developed in 2008 by the Company. The product aims to finance the export or domestic sales contracts of the clients. Following the conclusion of the business connection of the client, the Company grants 60% financing. In pursuit of the production and delivery/receipt, the financing amount can rise to 80%. In this case, it is an international sale, thus international funding resources are initiated and TL financing is transformed to foreign currency. When the correspondent guarantee is obtained, it is realized on a non-recourse basis.

Ekspo Faktoring realized all domestic factoring transactions on recourse basis. In international transactions, US$ 27.5 million is non-recourse, whereas US$ 121.2 million is on a recourse basis.

Aphrodite, Crowned by Virtus

Figure A, dressed in a draped garment (probably Aphrodite) is on the left hand side. On the right hand side, figure B, probably a Roman or Virtus, places a wreath crown on figure A's head. She is positioned on his right and dressed in an ordinary Amazon dress. The wreath is made of laurel and interlocking branches and a medal is in the middle.

Stronger and long-lasting client relations...

Factors behind Ekspo Faktoring's trust-based client relations are based on adopting a solution-oriented partnership approach and considering relations as a mutual basis for investment. The Company strives towards creating suitable solutions for each client and aims to build lasting and strong client relations. Despite negative developments in the market or in the sector, the Company focuses on mutual trust and transparency and adopts the principle of always working closely with its client. This close collaboration gives Ekspo Faktoring the opportunity to better monitor customers and manage their risks more effectively. In 2008, Ekspo Faktoring continued its marketing activities to enhance its client base and succeeded in increasing both the number of clients and the transaction volume.

Factoring means also assurance...

Ekspo Faktoring's vision does not limit factoring to simply financing. For the Company, factoring also means assurance. The main theme of its long-lasting relationships with clients, which are based on trust, is that the Company offers liquidity and security to its clients in the same package. The Company offers guarantee and collection services in addition to financing.

Ekspo Faktoring expends efforts to provide a wide product portfolio to its clients and supports activities for increasing client potential with effective marketing methods.

INTERNATIONAL ACTIVITIES

Turkish companies, attempting to make sales in international markets, are faced with many difficulties. In markets where more than one seller exists, importers like to buy with deferred payment terms without providing any guarantee, while exporters prefer to make guaranteed sales in the possible shortest term. In such an environment, export factoring is the only financial method that can solve the problems of the exporter, who prefers cash sales with a 100% guarantee.

Ekspo Faktoring provides its export factoring clients guaranteed factoring services, with or without advanced payment. Guaranteeing the receivables of export factoring clients through factoring correspondents allows companies to enter new markets without taking on risks. The Company's clients can transform their deferred receivables immediately to cash and create liquidity. Thus, in addition to the guarantee function, access to low-cost funding creates long term relationships with the clients.

FINANCIAL AND OPERATIONAL ACTIVITIES

From its inception in 2000, the Company's recruitment of internal audit staff, along with its collaboration with independent audit companies, have proven Ekspo Faktoring's commitment to auditing. The internal audit function ensures that operations of the Company are carried out in accordance with the management strategies and policies and within the context of the existing Factoring Regulations in a coordinated, efficient and effective manner.

In 2008, Ekspo Faktoring reached a total foreign trade volume of US$ 150.4 million, US$ 148.7 million in export and US$ 1.7 million in import transactions.

Thanks to the transaction volume realized, the Company leads many other factoring companies who are owned and backed by banks.

The global crisis, which started to show its impact in Turkey in the last quarter of the year, led to a major decline in export figures. Despite this negative picture, Ekspo Faktoring managed to increase export transactions considerably. The total export transaction volume of US$ 132.9 million in 2007 rose to US$ 148.7 million in 2008. Export factoring with two factors had a share of US$ 27.5 million in volume.

Direct export transactions increased from US$ 94 million to US$ 121.2 million, which consist an important share of the total export transactions. Thus, Ekspo Faktoring realized transactions of approximately US$ 27.5 million via correspondents, and US$ 121.2 million via direct export factoring. Import factoring in 2008 was around US$ 1.7 million.

The guaranteed factoring volume, realized in 2008 through FCI, was US$ 27.5 million despite the global crisis. In spite of the decrease in export volume of the last quarter of 2008, Ekspo Faktoring ranked 14th among FCI members in terms of correspondent transactions. The Company owes its exceptional performance in reaching low-cost funding resources to its specialized and experienced staff.

As for its goals in 2009, Ekspo Faktoring will concentrate on increasing import transactions via correspondents, on becoming a full member of FCI and on strengthening its position in the sector.

INTERNAL AUDIT AND FINANCIAL CONTROL

Since the factoring sector has been placed under the supervision of the Banking Regulation and Supervision Agency, the audit procedures have taken on greater significance for factoring companies. From its inception in 2000, the Company's recruitment of internal audit staff, along with its collaboration with independent audit companies, have proven Ekspo Faktoring's commitment to auditing.

The internal audit process is conducted by the Internal Audit and Financial Control Department, which is composed of experienced specialists in their fields. Additionally, two different independent audit companies, which are the best in their fields, periodically audit the Company's tax and financial statements. They report the necessary information to BRSA and Ministry of Finance and prepare the financial statements in accordance with International Financial Reporting Standards (IFRS).

The internal audit function ensures that operations of the Company are carried out in accordance with the management strategies and policies and within the context of the existing Factoring Regulations in a coordinated, efficient and effective manner. Monitoring integration and reliability of accounting records, as well as timely access to the information on the database, is also under this function's responsibility. The Internal Audit function also monitors and ensures that, within the scope of the Company's activities, all employees are in compliance with the Management's corporate approach, determined by the Board of Directors and Senior Management. The results of the financial, operational and other inspections, carried out independently by the internal audit personnel, are immediately reported to the management.

The Financial Control Department controls the financial statements prepared according to IFRS and the Capital Markets Board (CMB) of Turkey; generates the Non-bank Financial Institutions Oversight System reports, which are prepared for and submitted to the Banking Regulation and Supervision Agency every quarter. It is also the Department's responsibility to ensure that these reports are submitted through the data transfer system and that they are transferred to the database once confirmation has been received. Other functions of the Department are to conduct macro and microeconomic research as well as to formulate annual budget estimates, prepare and report on the budget and submit it to the Board of Directors. Actual operational results are compared against budget estimates at the end of each month and deviations are calculated. Being nearly 100% on target, unless there are instant fluctuations in the market, is evidence of the realistic budget alignment at Ekspo Faktoring.

Ekspo Faktoring's Internal Audit and Financial Control Department conducts document controls for all domestic and international transactions of the clients, to minimize the risks originating from mistakes, contributing to the effort to detect problems before they occur. The Internal Audit and Financial Control Department also reviews daily and monthly transactions, all correspondence and reports of the operational departments, namely, Marketing, Operations, Fund Management-Accounting and International Transactions. The department aims to avoid deficiencies within the day and prepares weekly and monthly reports for Senior Management and Board of Directors. In addition, the Internal Audit and Financial Control Department reviews and approves all statements and invoices to be sent to clients; conducts physical and system reconciliation of the securities in the portfolio and with the banks; and undertakes the cash count. Account reconciliation is carried out monthly with all clients, suppliers, correspondents and other financial institutions.

The Internal Audit and Financial Control Department is also responsible for regularly gathering the Internal Audit Committee and applying the decisions taken by the Committee. As well, the Department sets new checkpoints in order to improve the system and creates reports when necessary.

Factoring companies are also obliged to abide by Law No. 5549 for the Prevention of the Laundering of Crime Revenues and Regulation No. 26751, as of 09.01.2008. In order to comply with the Regulation, Company management requested that the Internal Audit Department take informative and precautious measures in line with Financial Crimes Investigation Board (FCIB) warnings.

As per the Regulation No. 26999, dated 16.09.2008, the Internal Audit and Financial Control Manager was appointed as Compliance Officer by the Board of Director's decision. The Compliance Officer attends training organized by FCIB and the Factoring Association, shares major points with the Company staff, informing them about compliance requirements and important issues.

FINANCIAL AND OPERATIONAL ACTIVITIES

The extensive database, covering existing and potential clients, is being enriched daily in terms of content, information quality and scope. Fed continuously with updated information, this database is used not only for line allocation decisions, but also for devising and implementing marketing strategies. The database contains detailed and complimentary information such as information given by correspondents, payment patterns and check drawing performances.

RISK MANAGEMENT

Effective risk management is the key to constant and continuous growth for companies operating in the factoring sector. Ekspo Faktoring, as a pioneer in risk management, employs the most advanced methods in this field. Thanks to its superior technical infrastructure and proper business processes, the Company continuously monitors the risks it bears. Following analysis, reports about credit risks are generated and submitted to management levels of the Company in order to support strategic decisions.

Ekspo Faktoring constantly monitors the risks in its portfolio in the light of various parameters and develops scenarios using various models and manages the placement policy with a dynamic and proactive approach. The fund raising capacity of companies is the most important criterion for Ekspo Faktoring. Other important criteria are the Company's date of inception, capital, the sector and experience of its managers and partners, in the sector.

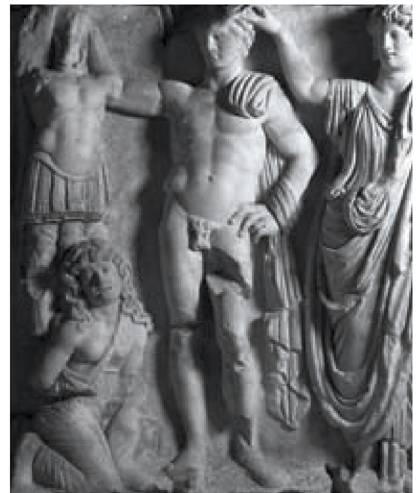
The Company classifies exposures by sector and group limits. In addition, it ensures that the risk does not exceed 10% of shareholders' equity. Under some exceptional circumstances, this limit can be raised to a maximum of 25%, pursuant to a management resolution.

Ekspo Faktoring avoids concentration in any one industry in order to ensure an even distribution of risk. In accordance with a decision by the Board of Directors, it takes great care not to assume any risk of over 30% of total placements in a single sector. Also, the Company performs a sensitivity analysis when determining debtor limits and stands firm in avoiding limit violations.

Ekspo Faktoring pays great attention to solid evaluation of risks being in compliance with international standards. In the last few years, the Company's Management has executed a series of operations in order to develop an effective risk rating system and to increase the efficiency of risk monitoring activities. Supported by its consultations with risk rating agencies, the adoption of the new rating system, compliant with international standards, has been finalized. From 2009 onward, all Ekspo Faktoring customers will be analyzed based on a new rating system and the Cenral Bank's periodical Risk Centralization Report will be used in risk follow-up activities. According to this new system, the credit assessment and line allocations of the companies will be made on the basis of objective criteria. In addition, during weekly Asset Quality meetings, existing risks will also be evaluated in terms of balance sheet, intelligence results and guarantee.

Acting very cautiously in order to ensure high asset quality, Ekspo Faktoring executes a very detailed research during the establishment of its credit portfolio. The Company puts great emphasis on its Risk Assessment Department and benefits from the expertise of its experienced bankers who are knowledgeable in the latest financial analysis methods and techniques. Financial analysis and market intelligence personnel in this Department regularly participate in the training courses offered by professional training institutions on credit, financial analysis and market intelligence to refresh their knowledge and learn new techniques.

The Risk Committee evaluates the companies that are requesting funds from Ekspo Faktoring, in regard to fields such as their financial status, sector conditions,



Emperor and Romans

The naked emperor, standing in the middle of the relief, crowns the victor. Next to him is a barbarian captive, who is clearly in pain. We see a figure, representing the Roman people on his right side. He wears a toga, a dress worn by noble Roman citizens. This figure places a wreath made of oak leaves on the Emperor's head.

client quality and market intelligence. During this evaluation, operational risks are also taken into account.

The Risk Committee meets twice a week, where it evaluates client requests within a two day timeframe. Additional committee meetings are held to deal with matters that require urgent attention. Line Assessment Reports created for individual companies as a result of financial analyses and intelligence efforts, are examined at these meetings. The Line Assessment Report is comprised of a company's strengths and weaknesses, the opportunities presented and the threats it is confronted with based on SWOT analysis. Decisions are made on the line proposals presented to the Risk Committee as a result of all of these evaluations.

The extensive database, covering existing and potential clients, is being enriched daily in terms of content, information quality and scope. Fed continuously with updated information, this database is used not only for line allocation decisions, but also for devising and implementing marketing strategies. The database contains detailed and complimentary information such as information given by correspondents, payment patterns and check drawing performances.

Within the scope of the data bank, in addition to company data, sector information is also collected and sector limits are determined accordingly. Ekspo Faktoring's analyses are compliant with Basel II criteria to measure market risks; the Company's YTL and foreign currency positions are monitored and reported to the senior management.

Ekspo Faktoring has a healthy and efficient credit portfolio. The Company's non-performing loans are approximately 3.3% of its total assets. Reflecting one of the lowest non-performing loan ratios in the sector, this situation also clearly demonstrates how successful Ekspo Faktoring is in risk management.

CORPORATE GOVERNANCE

Ekspo Faktoring, well aware of the importance of a proficient team in leading the way to success, institutionalized its extensive training initiatives under the name Ekspo Academy. Thus, the employees, whose personal and professional development have been enhanced, generate an increase in the enterprise value of Ekspo Faktoring.

HUMAN RESOURCES

The primary factor in Ekspo Faktoring's achievements in the sector is its expert, competent and well-equipped human resources. The Company's core staff is entirely comprised of experienced bankers. This professional team gives the Company a significant competitive edge.

As of year-end 2008, Ekspo Faktoring had 36 employees. The Company employs the most up-to-date practices in all of its human resources practices, including personnel selection, allocation of duties, training and determination of employment terms and conditions.

Ekspo Faktoring, well aware of the importance of a proficient team in leading the way to success, institutionalized its extensive training initiatives under the name Ekspo Academy. Employees receive training at certain intervals in their careers from the leading and most experienced experts in the financial sector. Thus, the employees, whose personal and professional development have been enhanced, generate an increase in the enterprise value of Ekspo Faktoring.

2008 was a year of essential steps in regard to human resources for Ekspo Faktoring. To begin with, the duties, authorities and responsibilities of the existing personnel were updated and the Employee Discipline Regulation was prepared and implemented. The Company, which is planning to consistently increase efficiency in human resources, also prepared and implemented the Employee Performance Assessment Regulation in 2008.

Corporate Governance

Ekspo Faktoring performs its activities according to clearly-defined corporate governance practices. Ekspo Faktoring places great importance on corporate governance. As such, it has based its corporate approach on a strong bank-like structure in order to manage risk in a more disciplined manner. The Company strives towards the highest level of customer satisfaction and endeavors to continue a steady growth within this structure.

The Company, which was awarded high grades by international rating companies, proves itself to be on the right strategic track. Ekspo Faktoring is the first factoring company to be graded by Moody's. In addition, it is audited by two independent companies every year which are changed every five years in order to ensure transparency.

Proficient and Experienced Staff

Ekspo Faktoring has various criteria in the recruitment process, such as university degree, foreign language competency, experience in the banking sector and proficiency. Employees joining the company staff are trained in financial issues as well as other cultural subjects. These training sessions are organized within the Company or given by external professionals, invited to the Company from time to time.

Open, Honest and Transparent Management Approach

BRSA required that all financial institutions regularly report their balance sheets on their websites in order to instill openness and transparency to the sector. Ekspo Faktoring has been regularly disclosing its balance sheet since its inception. Although Ekspo Faktoring is not a public company, it implements all audit and control processes flawlessly and meets all requirements of BRSA regulations meticulously.

Technological Infrastructure

Ekspo Faktoring has an effective organizational structure, which elevates the company to a prominent position in the sector. The Company executes operations efficiently, quickly and effectively thanks to this structure and combines these advantages with its technological infrastructure in order to strengthen its competitive edge. Additionally, Ekspo Faktoring is the most effective user of the internet in the sector in providing services. With its online branch, service is provided to its clients in their own offices.

CORPORATE GOVERNANCE

The corporate website is www.ekspofaktoring.com. Clients can view their checks in collection, account statements, outstanding balances and other information they would like to obtain instantly online.

INFORMATION TECHNOLOGIES

Ekspo Faktoring, aware of the need for a strong technological infrastructure in order to provide clients with effective and fast service, is a leader for IT investments in the sector. As opposed to its plain and modest organizational structure, the Company has an advanced information technology infrastructure comprised of the latest and most extensive hardware and software in the sector. Ekspo Faktoring, meeting its information technology requirements through outsourcing, inaugurated its Disaster Recovery Center in Ankara in 2006. In 2007, hardware and software development initiatives of this center were undertaken.

Ekspo Faktoring uses a factoring software package, Facto 2000, produced by a specialist financial software development company. Providing integration between marketing, client services and accounting, this software allows the clients to monitor their transactions on Ekspo Online and view their accounts instantaneously.

The corporate website is **www.ekspofaktoring.com.** Clients can view their checks in collection, account statements, outstanding balances and other information they would like to obtain instantly online. With the introduction of this service which enables the clients to view their checks, a novelty in the sector, both clients and Ekspo Faktoring are provided with more effective control. By constantly updating its online services, Ekspo Faktoring always endeavours to produce new projects with the aim of serving its clients at the best standards. Among the progress made by the Company in information technologies, enabling employees to actively use mobile communication and the structuring of the BES (Blackberry Enterprise Server) system are the most striking ones. New products and services put into application are: Quantitative Rating System and the Central Bank's Risk Centralization System, software and hardware in risk issues, and back-up internet access. In the future, heightened security internet walls, higher internet connection speeds and virtual servers will be introduced in order to strengthen the corporate structure.

Ekspo Faktoring Anonim Şirketi

Financial Statements
31 December 2008
With Independent Auditors' Report Thereon

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi
06 March 2009

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KPMG

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Independent Auditors' Report

To the Board of Directors of
Ekspo Faktoring Anonim Şirketi

Report on the financial statements

We have audited the accompanying financial statements of Ekspo Faktoring Anonim Şirketi ("the Company"), which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the the Company as at 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

06 March 2009
İstanbul, Turkey

KPMG Akis Bağımsız Denetim ve SMMM AŞ

Ekspo Faktoring Anonim Şirketi
Balance Sheet
As at 31 December 2008
(Currency: New Turkish Lira ["TRY"] unless otherwise stated)

	Notes	2008	2007
Assets			
Cash and cash equivalents	8	6,852,391	253,045
Factoring receivables	9	110,147,945	122,355,259
Prepayments for current assets	10	182,561	127,686
Assets held for sale	11	486,703	-
Investment property	12	758,265	774,899
Property and equipment	13	1,195,749	1,314,040
Intangible assets	14	7,778	14,321
Total assets		**119,631,392**	**124,839,250**
Equity			
Share capital	19	40,279,326	32,779,326
Reserves	19	3,255,887	2,422,215
Retained earnings	19	15,727,966	12,397,504
Total shareholders' equity		**59,263,179**	**47,599,045**
Liabilities			
Loans and borrowings	15	58,417,263	75,968,011
Factoring payables	16	386,196	-
Other liabilities	17	646,181	527,052
Income taxes payable	7	778,275	601,706
Reserve for employee severance payments	18	83,634	94,235
Deferred tax liabilities	7	56,664	49,201
Total liabilities		**60,368,213**	**77,240,205**
Total equity and liabilities		**119,631,392**	**124,839,250**
Commitments and contingencies	**21**		

The notes on pages 41 to 64 are an integral part of these financial statements.

Ekspo Faktoring Anonim Şirketi
Income Statement
For the Year Ended 31 December 2008
(Currency: New Turkish Lira ["TRY"] unless otherwise stated)

	Notes	2008	2007
Factoring interest income		34,169,790	26,996,225
Factoring commission income		6,915,714	6,573,778
Factoring commission expense		(265,094)	(420,568)
Income from factoring operations		**40,820,410**	**33,149,435**
Interest and commission expense on loans and borrowings		(14,965,151)	(11,915,861)
Foreign exchange gains, net		777,204	517,162
Provision for impaired factoring receivables	9	(1,426,986)	(881,645)
Income after interest and commission expense, foreign exchange gains and provision for impaired factoring receivables		**25,205,477**	**20,869,091**
Interest income other than factoring operations		307,072	948
Administrative expenses	5	(1,569,495)	(1,389,416)
Salaries and employee benefits	6	(4,330,448)	(3,921,653)
Depreciation and amortisation expenses	12, 13 and 14	(291,393)	(322,099)
Operating profit		**19,321,213**	**15,236,871**
Other income		45,672	46,790
Profit before income taxes		**19,366,885**	**15,283,661**
Income tax expense	7	(3,891,394)	(3,079,436)
Net profit for the year		**15,475,491**	**12,204,225**

Ekspo Faktoring Anonim Şirketi
Statement of Changes in Equity
For the Year Ended 31 December 2008
(Currency: New Turkish Lira ["TRY"] unless otherwise stated)

	Notes	Share Capital	Legal Reserves	Retained Earnings	Total Equity
Balances as at 31 December 2006	**19**	**25,279,326**	**1,845,680**	**10,149,575**	**37,274,581**
Transfers		-	-	-	-
Share capital increase		7,500,000	-	(7,500,000)	-
Dividends paid		-	576,535	(2,456,296)	(1,879,761)
Net profit for the year		-	-	12,204,225	12,204,225
Balances as at 31 December 2007	**19**	**32,779,326**	**2,422,215**	**12,397,504**	**47,599,045**
Transfers		-	-	-	-
Share capital increase		7,500,000	-	(7,500,000)	-
Dividends paid		-	833,672	(4,645,029)	(3,811,357)
Net profit for the year		-	-	15,475,491	15,475,491
Balances as at 31 December 2008	**19**	**40,279,326**	**3,255,887**	**15,727,966**	**59,263,179**

The notes on pages 41 to 64 are an integral part of these financial statements.

Ekspo Faktoring Anonim Şirketi
Statement of Cash Flows
For the Year Ended 31 December 2008
(Currency: New Turkish Lira ["TRY"] unless otherwise stated)

	Notes	2008	2007
Cash Flows From Operating Activities:			
Net profit for the year		15,475,491	12,204,225
Components of net profit not generating or using cash			
Depreciation and amortisation	12, 13 and 14	291,393	322,099
Provision for employee severance payments	19	(3,505)	58,447
Net financing income/expense	10	1,484,854	(158,515)
Provision for deferred and income taxes	8	3,891,394	3,079,436
Provision for impaired factoring receivables	10	2,179,169	1,018,820
Changes in operating assets and liabilities			
Factoring receivables, payables		10,317,108	(622,310)
Prepayments for current assets		(54,875)	(22,119)
Other liabilities		(482,577)	(823,315)
Employee severance paid	19	(7,096)	(24,505)
Taxes paid	8	(3,105,656)	(2,474,389)
Interest paid		(17,010,497)	(12,093,176)
Recoveries of impaired factoring receivables	10	752,183	137,175
Net cash provided by operating activities		**13,727,386**	**601,873**
Investing Activities:			
Acquisition of property and equipment	13	(638,524)	(196,254)
Proceeds from disposal of property and equipment	13	1,896	-
Net cash used in investing activities		**(636,628)**	**(196,254)**
Financing Activities:			
Repayment of bank borrowings		(2,680,747)	1,220,899
Dividends paid		(3,811,357)	(1,879,761)
Net cash used in financing activities		**(6,492,104)**	**(658,862)**
Net decrease/(decrease) in cash and cash equivalents		**6,598,654**	**(253,243)**
Cash and cash equivalents at 1 January		**253,045**	**506,288**
Cash and cash equivalents at 31 December	**8**	**6,851,699**	**253,045**

The notes on pages 41 to 64 are an integral part of these financial statements.

Notes to the financial statements

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As of and for the Year Ended 31 December 2008
(Currency: New Turkish Lira ["YTL"] unless otherwise stated)

1 Reporting entity

Ekspo Faktoring Anonim Şirketi ("the Company") was incorporated in Turkey to provide factoring services to industrial and commercial firms and registered to Turkish Trade Registry Gazette on 2 June 2000.

The Company operates in both domestic and international markets and factors its without recourse type transactions via its correspondent factoring companies abroad. The Company provides domestic, import and export factoring services to industrial and commercial enterprises in Turkey. The Company's head office is located at Ayazağa Mahallesi Meydan Sokak Büyükdere Asfaltı Mevkii Spring Giz Plaza B Blok Maslak-İstanbul/Türkiye.

The Company has 36 employees as at 31 December 2008 (2007: 34 employees).

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and its interpretations adopted by the International Accounting Standards Board ("IASB"). The Company maintains its books of accounts and prepares its statutory financial statements in New Turkish Lira ("TRY") in accordance with the Turkish Uniform Chart of Accounts, the Turkish Commercial Code and Tax Legislation.

(b) Basis of measurement

The financial statements are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRSs. They are prepared on the historical cost basis adjusted for the effects of inflation during the hyperinflationary period lasted by 31 December 2005.

(c) Functional and presentation currency

The financial statements are presented in TRY, which is the Company's functional currency. All financial information presented in TRY is rounded to the nearest digit.

(d) Use of estimates and judgments

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

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

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 4-fair value measurement of financial instruments
- Note 7-taxation
- Note 18-reserve for employee severance payments
- Note 21-commitments and contingencies

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As of and for the Year Ended 31 December 2008
(Currency: New Turkish Lira ["YTL"] unless otherwise stated)

(e) Comparatives and adjustments of prior periods' financial statements

Significant reclassifications made in the comparative financial information as of 31 December 2007 to conform with the current period's presentation is as follows:

Factoring receivables and payables amounting to TRY 101,786,287 are offsetted in the balance sheet as at 31 December 2007.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

(a) Accounting in hyperinflationary economies

International Accounting Standard ("IAS") 29, which deals with the effects of inflation in the financial statements, requires that financial statements prepared in the currency of a hyperinflationary economy to 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%.

The cumulative three-year inflation rate in Turkey has been 35.61% at 31 December 2005, based on the Turkish nation-wide wholesale price indices announced by Turkish Statistical Institute. This, together with the sustained positive trend in the quantitative factors such as financial and economical stabilization, decrease in the interest rates and the appreciation of TRY against the US Dollars ("USD"), have been taken into consideration to categorize Turkey as a non-hyperinflationary economy under IAS 29 effective from 1 January 2006. Therefore, IAS 29 has not been applied to the financial statements as of and for the years ended 31 December 2008 and 2007.

(b) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are converted into TRY at the exchange rates ruling at balance sheet date with the resulting exchange differences recognized in the income statement as foreign exchange gain or loss. Gains and losses arising from foreign currency transactions are reflected in the income statement as realized during the course of the year.

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

	2008	2007
USD	1.5123	1.1647
Euro	2.1408	1.7102
GBP	2.1924	2.3259
CHF	1.4300	1.0273

(c) Financial Instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise factoring receivables, other assets, cash and cash equivalents, bank borrowings, factoring payables and other liabilities.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below:

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, demand deposits and time deposits at banks with an original maturity less than three months.

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

Accounting for financial income and expense is discussed in note 3(m).

Factoring receivables and other assets

Factoring receivables are measured at amortised cost less specific allowances for uncollectibility and unearned interest income. Specific allowances are made against the carrying amount of factoring receivables and that are identified as being impaired based on regular reviews of outstanding balances to reduce factoring receivables to their recoverable amounts. When a factoring receivable is known to be uncollectible, all the necessary legal procedures have been completed, and the final loss has been determined, receivable is written off immediately. Subsequent to initial recognition, other assets are measured at cost due to their short term nature.

Loans and borrowings

Bank borrowings are recognized initially at cost, net of any transaction costs incurred. Subsequent to initial recognition, bank borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings.

Other

Other assets and liabilities are measured at cost.

(ii) Share capital

Ordinary shares

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

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

(d) Investment property

Investment property includes a flat owned by the Company which is property held either to earn rental income or for capital appreciation or for both. Investment property accounted using the cost model, less accumulated depreciation, and impairment losses. Depreciation is recognised in the income statement on a straight-line basis over 50 years. The fair value of the investment property is approximated to the net book value of the related property.

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As of and for the Year Ended 31 December 2008
(Currency: New Turkish Lira ["YTL"] unless otherwise stated)

(e) Asset held for sale

Assets that are classified as held for sale are carried at the lower of carrying amount and fair value less costs to sell. An entity shall not depreciate (or amortise) a non-current asset while it is classified as held for sale.

(f) Property and equipment

(i) Recognition and measurement

Items of property and equipment acquired before 1 January 2006 are measured at cost restated for the effects of inflation in TRY units current at 31 December 2005 pursuant to IAS 29 less accumulated depreciation and impairment losses. Property and equipment acquired after 31 December 2005 are measured at cost, less accumulated depreciation and impairment losses.

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

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

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property and equipment.

The estimated useful lives for the current and comparative periods are as follows:

Furniture and fixtures	5 years
Motor vehicles	5 years

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

(g) Intangible assets

Intangible assets represent computer software licenses and rights. Intangible assets acquired before 1 January 2006 are measured at cost restated for the effects of inflation in TRY units current at 31 December 2005 pursuant to IAS 29, less accumulated amortization, and impairment losses. Intangible assets acquired after 31 December 2005 are measured at cost, less accumulated amortisation, and impairment losses. Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets.

(h) Impairment

(i) Financial assets

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

(Currency: New Turkish Lira ["YTL"] unless otherwise stated)

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

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

All impairment losses are recognised in income statement. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognized in the income statement to the extent that the impairment loss in respect of a financial asset was not recognized in the previous year.

(ii) Non-financial assets

The carrying amounts of the non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement.

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

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(i) Employee benefits

(i) Reserve for employee severance payments

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

The assumptions used in the calculation are as follows:

	31 December 2008	31 December 2007
Discount rate	6.26%	5.71%
Expected salary/limit increase	5.4	5.00
Expected severance payment benefit ratio	87%	85%

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As of and for the Year Ended 31 December 2008
(Currency: New Turkish Lira ["YTL"] unless otherwise stated)

(ii) Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(j) Provisions

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

(k) Offsetting

Financial assets and liabilities are offset and the net amount is 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 to realize the asset and settle the liability simultaneously.

(l) Related parties

For the purpose of accompanying financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and investments are considered and referred to as the related parties.

(m) Revenue and cost recognition (Continued)

(i) Factoring interest and commission income

Factoring interest and commission income is recognized on the accrual basis.

(ii) Factoring commission expense

Factoring commission charges are recognized on the accrual basis.

(iii) Other income and expenses

Other income and expenses are recognized on the accrual basis.

(iv) Financial income/(expenses)

Financial income includes foreign exchange gains interest income from time deposits calculated using the effective interest rate method.

Financial expenses include interest expense on borrowings calculated using the effective interest rate method, foreign exchange losses and other financial expenses.

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As of and for the Year Ended 31 December 2008
(Currency: New Turkish Lira ["YTL"] unless otherwise stated)

(n) Income tax

Taxes on income comprise current tax and the change in the deferred taxes. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided, using the balance sheet liability method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax liabilities and assets are recognized when it is probable that the future economic benefits resulting from the reversal of taxable temporary differences will flow to or from the Company. Deferred tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the deferred tax assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized. Currently enacted tax rates are used to determine deferred taxes on income.

(o) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 December 2008, and have not been applied in preparing these financial statements:

IFRS 8 Operating Segments introduces the "management approach" to segment reporting. IFRS 8, which becomes mandatory for the Company's 2009 financial statements, will require the disclosure of segment information based on the internal reports regularly reviewed by the Company's Chief Operating Decision Maker in order to assess each segment's performance and to allocate resources to them. Currently, the Company's principal activity is to provide factoring services substantially in one geographical segment (Turkey). Therefore, it is not expected to have any impact on the financial statements.

Revised IAS 23 Borrowing Costs removes the option to expense borrowing costs and requires that an entity capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. The revised IAS 23 will become mandatory for the Company's 2009 financial statements. However, it is not expected to have any impact on the financial statements.

IFRS 3-Business Combinations & IAS 27 Consolidated and Separate Financial Statements; the International Accounting Standards Board ("IASB") has completed the second phase of its business combinations project by issuing a revised version of IFRS 3 Business Combinations and an amended version of IAS 27 Consolidated and Separate Financial Statements which also brings revisions to IAS 28 Investments in Associates and IAS 31 Interest in Joint Ventures. The new requirements take effect on 1 July 2009, although entities are permitted to adopt them earlier, is not expected to have any impact on the financial statements.

Amendments to IFRS 2 Share-based Payment-Vesting Conditions and Cancellations clarifies the definition of vesting conditions, introduces the concept of "non vesting conditions", requires non-vesting conditions to be reflected in grant date fair value and provides the accounting treatment for non-vesting conditions and cancellations. The amendments to IFRS 2 are effective for annual periods beginning on or after 1 January 2009, with early adoption permitted and are not expected to have any impact on the financial statements.

Amendments to "IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements-Puttable Financial Instruments and Obligations Arising on Liquidation" improve the accounting for particular types of financial instruments that have characteristics similar to ordinary shares but are at present classified as financial liabilities. The amendments will apply for annual periods beginning on or after 1 January 2009, with earlier application permitted and are not expected to have any impact on the financial statements.

Ekspo Faktoring Anonim Şirketi
Notes to the Financial Statements
As of and for the Year Ended 31 December 2008
(Currency: New Turkish Lira ["YTL"] unless otherwise stated)

Revised IAS 1 Presentation of Financial Statements does not change the recognition measurement or disclosure of transactions and events that are required by other IFRSs. The revised standard introduces as a financial statement the "statement of comprehensive income". The revised standard is effective for annual financial periods beginning on or after 1 January 2009, with early adoption permitted.

IFRIC 13 Customer Loyalty Programmes addresses the accounting by entities that operate, or otherwise participate in, customer loyalty programmes for their customers. It relates to customer loyalty programmes under which the customer can redeem credits for awards such as free or discounted goods or services. IFRIC 13, which becomes mandatory for the Company's 2009 financial statements, is not expected to have any impact on the financial statements.

Amendments to IAS 39 Financial Instruments: Recognition and Measurement-Eligible Hedged Items clarifies the application of existing principles that determine whether specific risks or portions of cash flows are eligible for designation in a hedging relationship. The amendments will become mandatory for the Company's 2010 financial statements, with retrospective application required. The Company does not expect these amendments to have any significant impact on the financial statements.

IFRIC 16 Hedges of a Net Investment in a Foreign Operation clarifies that net investment hedging can be applied only to foreign exchange differences arising between the functional currency of a foreign operation and the parent entity's functional currency and only in an amount equal to or less than the net assets of the foreign operation and that the hedging instrument may be held by any entity within the group except the foreign operation that is being hedged. On disposal of a hedged operation, the cumulative gain or loss on the hedging instrument that was determined to be effective is reclassified to profit or loss.

4 Determination of fair values

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

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

The estimated fair values of financial instruments have been determined using available market information by the Company, and where it exists, appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. While management has used available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realised in the current circumstances. Management has estimated that the fair value of certain balance sheet instruments is not materially different than their recorded values due to their short nature. These balance sheet instruments include cash and cash equivalents, factoring receivables, factoring payables, bank borrowings and overdrafts, other assets and other liabilities.

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

	2008		2007	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Cash and cash equivalents	6,852,391	6,852,391	253,045	253,045
Factoring receivables	110,147,945	110,147,945	122,355,258	122,355,258
Other assets	182,561	182,561	127,687	127,687
Financial liabilities				
Bank borrowings	58,417,263	58,417,263	75,968,009	75,968,009
Factoring payables	386,196	386,196	-	-
Other liabilities	646,181	646,181	527,052	527,052

5 Administrative expenses

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

	2008	2007
Rental expenses	327,583	256,341
Consultancy expenses	282,965	237,658
Travel expenses	212,425	193,872
Accomodation expenses	87,156	61,392
Communication expenses	83,700	95,513
Vehicle expenses	80,287	70,162
IT related expenses	63,459	55,943
Taxes and duties other than on income	59,402	32,954
Advertising expenses	43,006	36,576
Repair and maintenance expenses	41,845	37,598
Subscription fees	38,110	32,636
Utilities	29,185	24,065
Stationery expenses	19,377	22,204
Others	200,995	232,502
Total	**1,569,495**	**1,389,416**

6 Salaries and employee benefits

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

	2008	2007
Salary expenses	3,159,519	2,723,693
Premium expenses	640,459	617,329
Social security premium employer's share	248,072	221,214
Insurance expenses	107,840	79,603
Meal expenses	96,872	77,122
Transportation expenses	58,823	40,108
Others	18,863	162,584
	4,330,448	**3,921,653**

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7 Taxation

At 31 December 2008, corporate income tax is levied at the rate of 20% (31 December 2007: 20%) on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes. There is also a withholding tax levied at a certain rate on the dividends paid and is accrued only at the time of such payments. Some of the withholding rates included in the 15th and 30th articles of the Law no. 5520 on the Corporate Tax, have been redefined according to the cabinet decision numbered 2006/10731, which has been announced at Trade Registry Gazette of 23 July 2006-26237. In this context, withholding tax rate on dividend payments which are made to the companies except those which are settled in Turkey or generate income in Turkey via a business or a regular agent was increased to 15% from 10%.

Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for up to five years. Tax losses cannot be carried back.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax returns are open for five years from the beginning of the year that follows the date of filing during which time the tax authorities have the right to audit tax returns, and the related accounting records on which they are based, and may issue re-assessments based on their findings.

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

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

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

	2008		2007	
	Amount	%	Amount	%
Reported profit before income taxes	19,366,885		15,283,661	
Taxes on reported profit per statutory tax rate	(3,873,377)	20.00	(3,056,732)	20.00
Permanent differences:				
Non-taxable expenses	(18,017)		(22,704)	
Income tax expense	**(3,891,394)**	**20.00**	**(3,079,436)**	**20.00**

The income tax expense for the years ended 31 December comprised the following items:

	2008	2007
Current tax expense	3,883,931	3,076,095
Deferred tax expense	7,463	3,341
Income tax expense	**3,891,394**	**3,079,436**

In accordance with the related regulation for prepaid taxes on income, advance payments during the year are being deducted from the final tax liability computed over current year operations. Accordingly, the income tax expense is not equal to the final tax liability appearing on the balance sheet.

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The taxes payable on income at 31 December comprised the following:

	2008	2007
Taxes on income	3,883,931	3,076,095
Less: Corporation taxes paid in advance	(3,105,656)	(2,474,389)
Income taxes payable	**778,275**	**601,706**

Deferred income tax is provided, using the balance sheet liability method, on all taxable temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes, except for the initial recognition of assets and liabilities which effect neither accounting nor taxable profit.

Deferred tax assets (DTA) and deferred tax liabilities (DTL) at 31 December were attributable to the items detailed in the table below:

	2008		2007	
	Assets	Liabilities	Assets	Liabilities
Doubtful factoring receivables	-	-	1,558	-
Reserve for employee severance payments	16,727	-	18,847	-
Property and equipment, and intangible assets	-	59,652	-	69,499
Loans and borrowings	-	13,739	-	107
Total DTA and DTL	**16,727**	**73,391**	**20,405**	**69,606**

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts at 31 December, determined after appropriate offsetting, are shown in the balance sheet:

	2008			2007		
	Gross	Offsetting	Net	Gross	Offsetting	Net
DTA	16,727	(16,727)	-	20,405	(20,405)	-
DTL	(73,391)	16,727	(56,664)	(69,606)	20,405	(49,201)
DTL, net	**(56,664)**	**-**	**(56,664)**	**(49,201)**	**-**	**(49,201)**

8 Cash and cash equivalents

As at 31 December, cash and cash equivalents are as follows:

	2008	2007
Cash at banks		
-demand deposits	795,817	253,045
-time deposits	6,056,161	-
Cash on hand	413	-
Total cash and cash equivalents	**6,852,391**	**253,045**

As at 31 December 2008, the time deposits are comprised EUR and USD denominated daily bank placements having interest rate of 3.00% for EUR deposit and 2.75% for USD deposit (31 December 2007: nil) with an original maturity up to one month (31 December 2007: nil). As at 31 December 2008, there is not any blockage on bank deposits.

For the purposes of the cash flow statement, cash and cash equivalents amounts to TRY 6,851,699 (31 December 2007: TRY 253,045) excluding accrued interest.

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9 Factoring receivables

At 31 December, factoring receivables comprised the following:

	2008	2007
Domestic factoring receivables	104,963,296	106,046,879
Export and import factoring receivables	5,886,712	17,552,267
Impaired factoring receivables	3,988,898	2,561,912
Factoring receivables, gross	114,838,906	126,161,058
Unearned factoring interest income	(702,063)	(1,243,887)
Allowance for impaired factoring receivables	(3,988,898)	(2,561,912)
Factoring receivables	110,147,945	122,355,259

The Company has obtained the following collaterals for its receivables at 31 December:

	2008	2007
Customer notes and cheques obtained as collateral	268,842,450	241,146,683
Mortgages	1,984,480	2,076,120
Total	**270,826,930**	**243,222,803**

Movements in the allowance for doubtful factoring receivables during the years ended 31 December were as follows:

	2008	2007
Balance at the beginning of the year	2,561,912	1,680,267
Provision for the year	2,179,169	1,018,820
Recoveries during the year	(752,183)	(137,175)
Balance at the end of the year	**3,988,898**	**2,561,912**

As at 31 December, the ageing analysis of the impaired factoring receivables are as follows:

	2008	2007
Overdue 1 to 3 months	1,149,995	657,489
Overdue 3 to 6 months	655,459	106,000
Overdue 6 to 12 months	161,224	312,331
Overdue over 1 year	2,022,220	1,486,092
	3,988,898	**2,561,912**

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10 Prepayments for current assets

At 31 December, prepayment for current assets are as follows:

	2008	2007
Prepaid expenses	177,549	125,940
Advances given to personnel	3,500	950
Others	1,512	796
	182,561	127,686

Prepaid expenses include participation fee paid to the Banking Regulatory Supervisory Agency (BRSA) amounting TRY 45,400 and TRY 28,700 as at 31 December 2008 and 2007, respectively and insurance expenses that will be utilized in the subsequent months.

11 Asset held for sale

At 31 December 2008, asset held for sale consists of two flats obtained in lieu of doubtful factoring receivables, amounting TRY 486,703 (31 December 2007: nil).

12 Investment property

Movement of investment property and related accumulated depreciation during the year ended 31 December 2008 is as follows:

	1 January 2008	Additions	Disposals	31 December 2008
Cost				
Buildings	831,731	-	-	831,731

	1 January 2008	Current year charge	Disposals	31 December 2008
Less: Accumulated Depreciation				
Buildings	56,832	16,634	-	73,466
Net carrying value	774,899			758,265

Movement of investment property and related accumulated depreciation during the year ended 31 December 2007 is as follows:

	1 January 2007	Additions	Disposals	31 December 2007
Cost				
Buildings	831,731	-	-	831,731

	1 January 2007	Current year charge	Disposals	31 December 2007
Less: Accumulated Depreciation				
Buildings	40,197	16,635	-	56,832
Net carrying value	791,534			774,899

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13 Property and equipment

Movement of property and equipment and related accumulated depreciation during the year ended 31 December 2008 is as follows:

	1 January 2008	Additions	Disposals	31 December 2008
Cost				
Motor vehicles	1,039,135	110,528	(8,383)	1,141,280
Furniture and fixtures	459,511	30,751	-	490,262
Leasehold improvements	321,755	-	-	321,755
Others	692,688	10,542	-	703,230
Total cost	**2,513,089**	**151,821**	**(8,383)**	**2,656,527**

	1 January 2008	Current year charge	Disposals	31 December 2008
Less: Accumulated Depreciation				
Motor vehicles	784,753	137,680	(6,487)	915,946
Furniture and fixtures	285,557	66,153	-	351,710
Leasehold improvements	128,739	64,383	-	193,122
Total accumulated depreciation	1,199,049	268,216	(6,487)	1,460,778
Net carrying value	**1,314,040**			**1,195,749**

Others comprise paintings and other decorative items which are not depreciated.

Movement of property and equipment and related accumulated depreciation during the year ended 31 December 2007 is as follows:

	1 January 2007	Additions	Disposals	31 December 2007
Cost				
Motor vehicles	1,039,135	-	-	1,039,135
Furniture and fixtures	428,117	31,394	-	459,511
Leasehold improvements	224,055	97,700	-	321,755
Others	625,528	67,160		692,688
Total cost	**2,316,835**	**196,254**	**-**	**2,513,089**

	1 January 2007	Current year charge	Disposals	31 December 2007
Less: Accumulated Depreciation				
Motor vehicles	609,069	175,684	-	784,753
Furniture and fixtures	215,334	70,223	-	285,557
Leasehold improvements	75,790	52,949	-	128,739
Total accumulated depreciation	900,193	298,856	-	1,199,049
Net carrying value	**1,416,642**			**1,314,040**

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14 Intangible assets

Movement of intangible assets and related accumulated amortisation during the year ended 31 December 2008 is as follows:

	1 January 2008	Additions	Disposals	31 December 2008
Cost				
Rights	101,093	-	-	101,093

	1 January 2008	Current year charge	Disposals	31 December 2008
Less: Accumulated Depreciation				
Rights	86,772	6,543	-	93,315
Net carrying value	**14,321**			**7,778**

Movement of intangible assets and related accumulated amortisation during the year ended 31 December 2007 is as follows:

	1 January 2007	Additions	Disposals	31 December 2007
Cost				
Rights	101,093	-	-	101,093

	1 January 2007	Current year charge	Disposals	31 December 2007
Less: Accumulated Depreciation				
Rights	80,164	6,608	-	86,772
Net carrying value	**20,929**			**14,321**

15 Loans and borrowings

At 31 December, secured bank borrowings are as follows:

	2008				2007			
			TRY amount				TRY amount	
	Original Amount	Nominal Interest Rate (%)*	Up to 1 year	1 year and over	Nominal Original Amount	Interest Rate (%)*	Up to 1 year	1 year and over
TRY	48,161,264	22.09	48,161,264	-	58,735,443	17.13	58,735,443	-
EUR	3,754,080	5.90	3,505,306	4,531,427	5,130,251	5.82	8,786,435	-
GBP	1,010,203	8.63	2,214,769	-	1,651,442	9.51	3,848,081	-
USD	-	-	-	-	3,947,387	7.88	4,598,052	-
Other	3,145	10.35	4,497	-	-	-	-	-
Total			**53,885,836**	**4,531,427**			**75,968,011**	**-**

* These rates represent the average nominal interest rates of outstanding borrowings with fixed and floating rates at 31 December 2008 and 2007.

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At 31 December 2008, secured bank borrowings and overdrafts amounting to TRY 5,673,106 (31 December 2007: TRY 8,167,348). Bank overdrafts result from the time lag between the collections from and payments to the correspondent factoring firms. Export customers factor their export receivables to the Company and in return receive collection service from the Company. Since the collection is realized in foreign currency denominated terms, the correspondent factoring firms transfer those funds to the Company's accounts at the intermediary banks. As the Company's correspondent factoring firm approves and collects the amount of factored receivables, the related cash is transferred to Company's account at the intermediary bank.

16 Factoring payables

At 31 December, factoring payables comprised the following:

	2008	2007
Domestic factoring payables	336,364	-
Foreign factoring payables	49,832	-
Total	**386,196**	**-**

Factoring payables represent the amounts collected on behalf of but not yet paid to the factoring customers at the balance sheet date.

17 Other liabilities

At 31 December, other liabilities comprised the following:

	2008	2007
Taxes and duties other than on income	505,558	385,065
Trade payables to vendors	103,421	107,254
Social security payables	37,202	33,633
Payable to personnel	-	1,100
Total	**646,181**	**527,052**

18 Reserve for employee severance payments

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days' pay, maximum of TRY 2,173.19 at 31 December 2008 (31 December 2007: TRY 2,030.19) per year of employment at the rate of pay applicable at the date of retirement or termination. The principal assumption used in the calculation of the total liability is that the maximum liability for each year of service will increase in line with inflation semi-annually.

International Accounting Standard No 19 ("IAS 19") requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. The reserve has been calculated by estimating the present value of future probable obligation of the Company arising from the retirement of the employees. Accordingly, the following actuarial assumptions were used in the calculation of the following liability at 31 December:

	2008	2007
Expected inflation rate	5.4%	5%
Expected rate of salary/limit increase	12%	11%
Turnover rate to estimate the probability of retirement	13%	15%

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For the years ended 31 December, movements in the reserve for employee severance payments were as follows:

	2008	2007
Balance at the beginning of the year	94,235	60,293
Paid during the year	(7,096)	(24,505)
Increase during the year	(3,505)	58,447
Balance at the end of the year	**83,634**	**94,235**

19 Equity

19.1 Paid-in capital

At 31 December 2008, the Company's nominal value of authorized and paid-in share capital amounts to TRY 40,000,000 (31 December 2007: TRY 32,500,000) comprising 40.000.000 (31 December 2007: 32.500.000) registered shares of par value of TRY 1 each. Adjustment to share capital represents the restatement effect of the cash contributions to share capital equivalent to purchasing power of TRY as of 31 December 2005.

As at 31 December, the composition of the authorized and paid-in share capital are as follows:

	2008		2007	
	Share (%)	TRY	Share (%)	TRY
M. Semra Tümay	49.00%	19,600,000	45.00%	14,625,000
Murat Tümay	25.50%	10,199,999	15.00%	4,875,000
Zeynep Ş. Akçakayalıoğlu	24.50%	9,799,999	14.00%	4,550,000
M. Gürbüz Tümay	-	-	25.00%	8,125,000
Others	1.00%	400,002	1.00%	325,000
Share capital	100%	40,000,000	100%	32,500,000
Adjustment to share capital		279,326		279,326
Total share capital		**40,279,326**		**32,779,326**

The Company decided to increase its paid in share capital from TRY 25,000,000 to TRY 32,500,000, with the Board of Directors' minute dated 12 November 2007. The paid-in capital increase is funded by retained earnings. The paid-in capital increase has been announced on Trade Registry Gazette dated 19 December 2007.

The Company decided to increase its paid in share capital from TRY 32,500,000 to TRY 40,000,000, with the Board of Directors' minute dated 28 May 2008. The paid-in capital increase is funded by retained earnings. The paid-in capital increase has been announced on Trade Registry Gazette dated 13 June 2008.

19.2 Legal Reserves

The legal reserves are established by annual appropriations amounting to 5% of income disclosed in the Company's statutory accounts until it reaches 20% of paid-in share capital (first legal reserve). Without limit, a further 10% of dividend distributions in excess of 5% of paid-in capital is to be appropriated to increase legal reserves (second legal reserve). The first legal reserve is restricted and is not available for distribution as dividend unless it exceeds 50% of share capital. In the accompanying financial statements, the total of the legal reserves is TRY 3,255,887 (historical) at 31 December 2008 (31 December 2007: TRY 2,422,215 (historical)).

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20 Risk management disclosures

Counter party credit risk

The Company is subject to credit risk through its factoring operations. The Company requires a certain amount of collateral in respect of its financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Company does not enter into factoring transaction with the firms which do not meet the predetermined criteria for credit approval. Credit evaluations are performed on all customers by Credit Risk Committee based on their authorization limits. Credit Risk Committee meets every week regularly and performs credit evaluations. The Company has early warning controls with respect to the monitoring of on-going credit risks and the Company regularly performs scoring of the creditworthiness of the customers. A special software program has been developed to monitor the credit risk of the Company.

At 31 December 2008, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

At 31 December, the breakdown of the factoring receivables by industrial groups is as follows:

	2008	%	2007	%
Textiles	24,804,403	23	34,093,230	28
Construction	18,008,472	16	6,723,848	5
Tourism	17,100,020	16	16,168,826	13
Iron, steel and coal	10,487,574	10	4,322,604	3
Manufacturing	8,926,953	8	5,604,108	5
Machinery and equipment	7,721,335	6	21,848,171	18
Media and advertising	6,140,770	6	9,256,903	7
Retail	4,460,485	4	487,208	0
Chemicals and pharmaceuticals	3,861,166	4	5,645,972	5
Food and beverage	3,806,320	3	4,817,248	4
Financial services	2,185,867	2	6,899,089	6
Automotive	1,086,950	1	5,709,559	5
Others	1,557,630	1	778,493	1
	110,147,945	100	122,355,259	100

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Market risk

Interest rate risk

The Company's operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or are re-priced at different times or in differing amounts. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Company's business strategies.

The tables below summarize average effective interest rates by major currencies for monetary financial instruments at 31 December:

	2008				2007			
	USD (%)	EUR (%)	GBP (%)	TRY (%)	USD (%)	EUR (%)	GBP (%)	TRY (%)
Assets								
Cash and cash equivalents								
-time deposits	2.75	3.00	-	-	-	-	-	-
Factoring receivables	-	10.59	10.33	30.69	8.8	7.31	8.99	24.41
Liabilities								
Loans and borrowings	-	5.73	8.63	21.67	7.81	5.78	9.31	17.11

Interest rate profile:

At 31 December, the interest rate profile of the interest-bearing financial instruments is as follows:

	Carrying Amount	
Fixed rate instruments	2008	2007
Factoring receivables	35,870,656	71,365,049
Cash and cash equivalents-time deposit	6,056,161	-
Loans and borrowings	52,692,691	53,722,782
Variable rate instruments		
Factoring receivables	74,277,289	50,987,210
Loans and borrowings	5,724,572	22,240,229

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Cash flow sensitivity analysis for variable rate instruments:

A change of 100 basis points in interest rates at 31 December would have increased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or (loss)	
2008	**100 bp increase**	**100 bp decrease**
Variable rate instruments	686,136	(686,136)
2007		
Variable rate instruments	287,894	(287,894)

Foreign currency risk

The Company is exposed to currency risk through transactions (such as factoring operations and bank borrowings) in foreign currencies. As the currency in which the Company presents its financial statements is TRY, the financial statements are affected by movements in the exchange rates against TRY.

As at 31 December, the foreign currency position of the Company is as follows (TRY equivalents):

	2008	2007
A. Foreign currency monetary assets	14,501,117	17,572,142
B. Foreign currency monetary liabilities	(10,305,831)	(17,233,042)
Net foreign currency position (A+B)	**4,195,286**	**339,100**

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As at 31 December, TRY equivalents of the currency risk exposures of the Company are as follows:

	2008				
	USD	Euro	GBP	Other Currencies	TRY Total
Foreign currency monetary assets					
Cash and cash equivalents	1,926,710	4,762,165	3,741	-	6,692,616
Factoring receivables	1,701,437	3,802,052	2,299,119	4381	7,806,989
Prepayments for current assets	1,512	-	-	-	1,512
Total foreign currency monetary assets	3,629,659	8,564,217	2,302,860	4,381	14,501,117
Foreign currency monetary liabilities					
Loans and borrowings	688	8,036,045	2,214,769	4,497	10,255,999
Factoring payables	42,472	7,360	-	-	49,832
Total foreign currency monetary liabilities	43,160	8,043,405	2,214,769	4,497	10,305,831
Net on balance sheet position	**3,586,499**	**520,812**	**88,091**	**(116)**	**4,195,286**

	2007				
	USD	Euro	GBP	Other Currencies	TRY Total
Foreign currency monetary assets					
Cash and cash equivalents	13,845	4,202	1,246	-	19,293
Factoring receivables	5,893,890	9,481,667	2,176,710	-	17,552,267
Prepayments for current assets	582	-	-	-	582
Total foreign currency monetary assets	5,908,317	9,485,869	2,177,956	-	17,572,142
Foreign currency monetary liabilities					
Loans and borrowings	4,598,781	8,786,181	3,848,044	36	17,233,042
Factoring payables	-	-	-	-	-
Total foreign currency monetary liabilities	4,598,781	8,786,181	3,848,044	36	17,233,042
Net on balance sheet position	**1,309,536**	**699,688**	**(1,670,088)**	**(36)**	**339,100**

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Foreign currency sensitivity analysis:

Depreciation of TRY by 10% against the other currencies as at 31 December 2008 and 2007 would have decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, as at 31 December 2008 and 2007 remain constant.

TRY	
2008	**Profit/(Loss)**
USD	358,650
Euro	52,081
GBP	8,809
Other currencies	(11)
Total	**419,529**

TRY	
2007	**Profit/(Loss)**
USD	130,954
Euro	69,969
GBP	(167,009)
Other currencies	(4)
Total	**33,910**

Liquidity risk

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

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The following are the contractural (or expected) maturities of financial liabilities of the Company:

	31 December 2008						
	Carrying amount	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities	**59,449,640**	**62,161,835**	**42,875,680**	**19,281,155**	**-**	**-**	**-**
Loans and borrowings	58,417,263	61,129,458	41,843,303	19,281,155	-	-	-
Factoring payables	386,196	386,196	386,196	-	-	-	-
Other liabilities	646,181	646,181	646,181	-	-	-	-

	31 December 2007						
	Carrying amount	Contractual cash flow	6 months or less	6-12 months	1-2 years	2-5 years	More than 5 years
Non-derivative financial liabilities	**76,495,065**	**76,699,444**	**75,298,164**	**1,401,280**	**-**	**-**	**-**
Loans and borrowings	75,968,011	76,172,390	74,771,110	1,401,280	-	-	-
Factoring payables	-	-	-	-	-	-	-
Other liabilities	527,052	527,052	527,052	-	-	-	-

Capital management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to meet local regulatory requirements. The minimum share capital requirement of the Company is TRY 5,000,000 as at 31 December 2008.

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21 Commitments and contingencies

Commitments and contingent liabilities arising in the ordinary course of business comprised the following items at 31 December:

Letters of guarantee	2008	2007
Given to legal courts	468,247	350,200
Given to others	560	560
Total	468,807	350,760

At 31 December 2008, the Company has given cheques and notes amounting to TRY 79,555,101 (31 December 2007: TRY 87,107,445) as collateral against the bank borrowings.

22 Related party disclosures

For the purpose of accompanying financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and their investments are considered and referred to as the related parties. A number of transactions are entered into with the related parties in the normal course of business. These transactions were carried out on an arms-length basis during the normal course of business.

	31 December 2008	31 December 2007
General administrative expenses		
M. Semra Tümay (rental expense)	300,023	244,454
	300,023	244,454

Total benefit of key management for the years ended 31 December 2008 and 2007 amounted to TRY 1,960,877 and TRY 1,286,381, respectively.

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