KPMG

Ekspo Faktoring Anonim Şirketi

Financial Statements
As at and for the Year Ended
31 December 2012
With Independent Auditors' Report Thereon

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik
Anonim Şirketi

20 February 2013

This report includes 1 page of independent auditors' report and 34 pages of financial statements and notes to the financial statements.

Ekspo Faktoring Anonim Şirketi

Table of Contents

KPMG

Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.
Kavacık Rüzgarlı Bahçe Mah.
Kavak Sok. No: 29
Beykoz 34805 İstanbul

Telephone +90 (216) 681 90 00
Fax +90 (216) 681 90 90
Internet www.kpmg.com.tr

Independent Auditors' Report

To the Board of Directors of
Ekspo Faktoring Anonim Şirketi

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

Management's responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting 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 audit opinion.

Opinion

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

KPMG Akis Bağımsız Denetim ve SMMM A.Ş.

20 February 2013
Istanbul, Turkey

Ekspo Faktoring Anonim Şirketi

Statement of Financial Position

As at 31 December 2012

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

	Notes	31 December 2012	31 December 2011
Assets			
Cash and cash equivalents	*10*	122,466	222,669
Derivative financial assets	*21*	77,889	244,353
Factoring receivables	*11*	233,544,382	236,425,268
Other assets	*12*	268,105	211,428
Assets held for sale	*13*	486,703	486,703
Investment property	*14*	1,192,170	1,219,053
Tangible assets	*15*	1,313,529	1,432,378
Intangible assets	*16*	24,475	19,374
Deferred tax assets	*9*	692,855	557,126
Total assets		**237,722,574**	**240,818,352**
Liabilities			
Loans and borrowings	*17*	105,914,780	151,392,733
Debt securities issued	*18*	52,419,024	20,435,166
Derivative financial liabilities	*21*	82,747	242,363
Factoring payables	*19*	990,294	602,921
Other liabilities	*20*	723,014	517,214
Income taxes payable	*9*	1,032,301	694,409
Reserve for employee severance payments	*22*	354,893	233,047
Total liabilities		**161,517,053**	**174,117,853**
Equity			
Share capital	*23*	50,000,000	40,000,000
Adjustment to share capital	*23*	279,326	279,326
Legal reserves	*23*	9,174,381	8,424,204
Retained earnings	*23*	16,751,814	17,996,969
Total shareholders' equity		**76,205,521**	**66,700,499**
Total equity and liabilities		**237,722,574**	**240,818,352**
Commitments and contingencies	*25*		

The accompanying notes form an integral part of these financial statements.

Ekspo Faktoring Anonim Şirketi
Statement of Comprehensive Income
For the Year Ended 31 December 2012
(Currency: Turkish Lira ("TL") unless otherwise stated)

	Notes	31 December 2012	31 December 2011
Factoring interest income		36,004,148	35,028,486
Factoring commission income, net		5,044,424	4,963,284
Income from factoring operations		**41,048,572**	**39,991,770**
Interest and commission expense on bank borrowings		(11,780,026)	(16,127,598)
Interest expense on debt securities issued		(4,297,861)	(2,167,177)
Derivative trading losses, net		(6,848)	(3,657)
Foreign exchange gains, net		137,881	40,171
Interest income other than on factoring operations	5	485	12,046
Interest, commission and foreign exchange income, net		**25,102,203**	**21,745,555**
Personnel expenses	7	(5,694,913)	(5,097,991)
Administrative expenses	8	(2,200,931)	(1,917,293)
Provision for impaired factoring receivables, net of recoveries	11	(2,583,759)	(1,111,053)
Other expenses		-	(103,283)
Depreciation and amortisation expenses	14,15 and 16	(229,831)	(236,406)
Other income	6	14,459	12,462
Profit before income taxes		**14,407,228**	**13,291,991**
Income tax expense	9	(2,902,206)	(2,729,872)
Profit for the year		**11,505,022**	**10,562,119**
Other comprehensive income for the year, net of income tax		-	-
Total comprehensive income for the year		**11,505,022**	**10,562,119**

The accompanying notes form an integral part of these financial statements.

Ekspo Faktoring Anonim Şirketi
Statement of Changes in Equity
For the Year Ended 31 December 2012
(Currency: Turkish Lira ("TL") unless otherwise stated)

	Notes	Share Capital	Adjustment to Share Capital	Legal Reserves	Retained Earnings	Total Equity
Balances at 1 January 2011		**40,000,000**	**279,326**	**6,070,877**	**27,988,177**	**74,338,380**
Total comprehensive income for the year						
Profit for the year		-	-	-	10,562,119	10,562,119
Total comprehensive income for the year		**-**	**-**	**-**	**10,562,119**	**10,562,119**
Transactions with owners of the Company, recognized directly in equity						
Contributions by and distributions to owners of the Company						
Transfer to legal reserves		-	-	2,353,327	(2,353,327)	-
Dividend distribution		-	-	-	(18,200,000)	(18,200,000)
Total contributions by and distribution to owners of the Company		**-**	**-**	**2,353,327**	**(20,553,327)**	**(18,200,000)**
Balances at 31 December 2011	*23*	**40,000,000**	**279,326**	**8,424,204**	**17,996,969**	**66,700,499**
Balances at 1 January 2012		**40,000,000**	**279,326**	**8,424,204**	**17,996,969**	**66,700,499**
Total comprehensive income for the year						
Profit for the year		-	-	-	11,505,022	11,505,022
Total comprehensive income for the year		**-**	**-**	**-**	**11,505,022**	**11,505,022**
Transactions with owners of the Company, recognized directly in equity						
Contributions by and distributions to owners of the Company						
Capital increase		10,000,000			(10,000,000)	-
Transfer to legal reserves		-	-	750,177	(750,177)	-
Dividend distribution		-	-	-	(2,000,000)	(2,000,000)
Total contributions by and distribution to owners of the Company		**10,000,000**	**-**	**750,177**	**(12,750,177)**	**(2,000,000)**
Balances at 31 December 2012	*23*	**50,000,000**	**279,326**	**9,174,381**	**16,751,814**	**76,205,521**

The accompanying notes form an integral part of these financial statements.

Ekspo Faktoring Anonim Şirketi

Statement of Cash Flows

For the Year Ended 31 December 2012

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

	Notes	*2012*	*2011*
Cash Flows From Operating Activities:			
Profit for the year		11,505,022	10,562,119
Adjustments for:			
Depreciation and amortisation	*14, 15 and 16*	229,831	236,406
Provision for employee severance payments	*22*	155,111	106,146
Other expense/(income) accruals		(779,049)	2,512,822
Provision for deferred and income taxes	*9*	2,902,206	2,729,872
Interest income		(36,004,633)	(35,040,532)
Interest expense		16,077,887	18,294,775
Provision for impaired factoring receivables	*11*	3,041,621	1,353,543
Changes in fair value of currency swap contracts	*24*	6,848	3,657
		(2,865,156)	**758,808**
Changes in factoring receivables and payables		(33,401)	(19,321,881)
Changes in other assets		(61,339)	(66,108)
Changes in other liabilities		593,173	(309,159)
Employee severance paid	*22*	(33,265)	(51,544)
Taxes paid	*9*	(2,700,043)	(3,155,165)
Interest paid		(12,818,143)	(17,003,228)
Interest received		36,198,486	35,590,876
Proceeds from recoveries of impaired factoring receivables	*11*	457,862	242,490
Net cash provided by / (used in) operating activities		**18,738,174**	**(3,314,911)**
Cash Flows From Investing Activities:			
Acquisition of investment property	*14*	-	(512,376)
Acquisition of property and equipment	*15*	(75,084)	(504,532)
Acquisition of intangible assets	*16*	(14,116)	-
Net cash used in investing activities		**(89,200)**	**(1,016,908)**
Cash Flows From Financing Activities:			
Changes in loans and borrowings		(46,753,840)	22,595,206
Debt securities issued paid		(20,000,000)	-
Proceeds from debt securities issued		50,000,000	-
Dividends paid		(2,000,000)	(18,200,000)
Net cash (used in) / provided from financing activities		**(18,753,840)**	**4,395,206**
Effect of changes in foreign exchange rate on cash and cash equivalents		4,663	1,694
Net increase / (decrease) in cash and cash equivalents		**(100,203)**	**65,081**
Cash and cash equivalents at 1 January		**222,669**	**157,588**
Cash and cash equivalents at 31 December	*10*	**122,466**	**222,669**

The accompanying notes form an integral part of these financial statements.

Notes to the financial statements

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 accordance with "Financial Lease, Factoring and Financing Companies Law" published on the Official Gazette no. 28496 dated 13 December 2012 and "Regulation on Principles for Establishment and Operations of Finance Lease, Factoring and Financing Companies" of Banking Regulation and Supervision Agency ("BRSA").

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 32 employees as at 31 December 2012 (2011: 34 employees).

2 Basis of preparation

(a) Statement of compliance

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by International Accounting Standards Board and are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS. The Company adopted all IFRS, which were mandatory as at 31 December 2012.

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira ("TL") in accordance with the Turkish Accounting Standards as promulgated by the Banking Regulation and Supervision Agency ("BRSA") and also the Turkish Commercial Code (collectively, "Turkish GAAP").

The financial statements of the Company as at and for the year ended 31 December 2012 were authorized for issue by the Board of Directors on 20 February 2013. The General Assembly and certain regulatory bodies have power to amend the statutory financial statements after issue.

(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 IFRS. They are prepared on the historical cost basis, except for derivatives which are measured at fair value, 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 TL, which is the Company's functional currency. All financial information presented in TL is rounded to the nearest digit.

(d) Use of estimates and judgements

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

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

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

2 Basis of preparation *(Continued)*

(d) Use of estimates and judgements *(Continued)*

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

- Note 4 Determination of fair values
- Note 9 Taxation
- Note 11 Factoring receivables, provision for impairment of doubtful receivables
- Note 13 Assets held for sale
- Note 14 Investment property
- Note 15 Tangible assets
- Note 16 Intangible assets
- Note 21 Derivative financial instruments
- Note 22 Reserve for employee severance payments
- Note 25 Commitment and contingencies

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 reporting 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 stabilisation, decrease in the interest rates and the appreciation of TL 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 of the Company as at and for the year ended 31 December 2006 and thereafter.

(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 to TL at the exchange rates ruling at reporting date with the resulting exchange differences recognized in the profit or loss as foreign exchange gain or loss. Gains and losses arising from foreign currency transactions are reflected in the profit or loss as realized during the course of the year.

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

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

3 Significant accounting policies *(Continued)*

(c) Financial Instruments

(i) Non-derivative financial instruments

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

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

Non-derivative financial instruments are recognized 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:

Cash and cash equivalents

Cash and cash equivalents comprise cash balances, time and demand deposits at banks having original maturity less than 3 months and readily to be used by the Company or not blocked for any other purpose.

Time deposits are measured at amortised 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

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.

Borrowings and debt securities

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

Other

Other assets and liabilities are measured at cost due to their short term nature.

3 Significant accounting policies *(Continued)*

(c) Financial Instruments *(Continued)*

(ii) Derivative financial instruments

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in the in profit or loss when incurred. Subsequent to initial recognition, derivative financial instruments are measured at fair value. Fair values are based on available quoted market prices and discounted cash flow model if needed. Fair value of unquoted foreign exchange contracts are presented by the rate of the first term of the contract compared by the rest of the relevant currency market interest rates calculated on the table, minus the maturity rate is determined by comparing the statement of financial position. If fair value of derivative financial instruments is positive, it is accounted as assets; if the fair value is negative, it is accounted as liabilities.

Derivative financial instruments are initially measured at fair value on the contract date, and are re-measured to fair value at subsequent reporting dates, as estimated based on the available quoted market rates prevailing at the reporting date. All unrealized gain and losses on these instruments are included in the statement of comprehensive income.

(iii) Share capital

Ordinary shares

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

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

(d) Investment property

Investment property is accounted using the cost model, less accumulated depreciation, and impairment losses. Depreciation is recognized in the statement of comprehensive income on a straight-line basis over 50 years.

(e) Assets 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. A non-current asset is not depreciated (or amortised) while it is classified as held for sale.

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

3 Significant accounting policies *(Continued)*

(f) Tangible assets

(i) Recognition and measurement

Items of tangible assets acquired before 1 January 2006 are measured at cost restated for the effects of inflation in TL units current at 31 December 2005 pursuant to IAS 29 less accumulated depreciation and impairment losses, if any. Tangible assets acquired after 31 December 2005 are measured at cost, less accumulated depreciation and impairment losses, if any.

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

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

Any gain and loss on disposal of an item of tangible assets (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised net in other income and other expenses in profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

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

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

Furniture and fixtures	5 years
Motor vehicles	5 years

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

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(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 TL units current at 31 December 2005 pursuant to IAS 29, less accumulated amortisation, and impairment losses, if any. Intangible assets acquired after 31 December 2005 are measured at cost, less accumulated amortisation, and impairment losses, if any. Amortisation is charged to the profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

The estimated useful lives for the current and comparative periods are 5 years.

3 Significant accounting policies *(Continued)*

(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.

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.

All financial assets are tested for impairment on an individual basis.

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

An impairment loss is recognized 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 recognized in the profit or loss.

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 recognized 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 in respect of goodwill is not reversed. 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 recognized.

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

3 Significant accounting policies *(Continued)*

(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 2012	31 December 2011
Net discount rate	2.60%	3.73%
Expected salary / limit increase	5.00%	5.00%
Expected severance payment benefit ratio	95%	95%

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

(k) Offsetting

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

(l) Related parties

For the purpose of the 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.

3 Significant accounting policies *(Continued)*

(m) Revenue and cost recognition

(i) Factoring interest and commission income

Factoring interest and commission income are recognized in profit or loss on an accrual basis using the effective interest method. Commission income is a certain percentage of the total amount of invoices subject to factoring.

(ii) Factoring commission expense

Factoring commission charges are recognised as expense in profit or loss on accrual basis using the effective interest method.

(iii) Other income and expenses

Other income and expenses are recognized in profit or loss on the accrual basis.

(iv) Financial income / expenses

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

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

(n) Income tax

Taxes on income comprise current and deferred taxes. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or other comprehensive income. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred income tax is provided, 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

The Company applied all of the relevant and required standards promulgated by International Accounting Standards Board ("IASB") and the interpretations of IASB as at 31 December 2012.

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for:

-IFRS 9 *Financial Instruments*, which becomes mandatory for the Company's 2015 financial statements and could change the classification and measurement of financial assets.

-IFRS 13 *Fair Value Measurement* replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance and becomes effective for annual periods beginning on or after 1 January 2013.

3 Significant accounting policies *(Continued)*

(o) New standards and interpretations not yet adopted *(continued)*

-Amendments to IAS 19 Employee Benefits includes changes in the accounting of defined benefit plans. The amendments are effective for annual periods beginning on or after 1 January 2013.

Company does not plan to adopt these standards early and the extent of the impact on the financial statements has not been determined yet as at the reporting date.

(p) Events after the reporting period

Events after the reporting period include all events up to the date when the financial statements are authorized for issue, even if those events occur after the public announcement of profit or of other selected information. In accordance with IAS 10, "Events After the Reporting Period", the Company adjusts the amounts recognized in its financial statements to reflect adjusting events after the reporting period. Non adjusting events are disclosed in the notes to the financial statements, if material.

(q) Statement of cash flows

The Company prepares cash flow statements to inform the users of the financial statements about the changes in its net assets, its financial structure and its ability to affect the amount and timing of its cash flows with respect to changing external conditions.

In the statement of cash flows, cash flows of the period are reported with a classification based on operating, investing and financing activities. Cash flows from operating activities represent cash flows from activities within the scope of business. Cash flows relating to investment activities represent cash flows used and generated from investment activities (fixed investments and financial investments). Cash flows relating to financing activities represent the sources of financing the Company used and the repayments of these sources.

(r) Segment reporting of financial information

Since the Company does not have segments whose financial performances are reviewed by operating decision makers, no segment reporting information is provided in the notes.

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

4 Determination of fair values

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

31 December 2012	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial assets	-	77,889	-	77,889
	-	**77,889**	**-**	**77,889**
Derivative financial liabilities	-	82,747	-	82,747
	-	**82,747**	**-**	**82,747**

31 December 2011	**Level 1**	**Level 2**	**Level 3**	**Total**
Derivative financial assets	-	244,353	-	244,353
	-	**244,353**	**-**	**244,353**
Derivative financial liabilities	-	242,363	-	242,363
	-	**242,363**	**-**	**242,363**

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 financial position instruments is not materially different than their recorded values due to their short nature. These statement of financial position instruments include cash and cash equivalents, factoring receivables, factoring payables, loans and borrowings, other assets and other liabilities. Fair value of debt securities is determined with reference to their quoted bid price at the reporting date.

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

4 Determination of fair values *(Continued)*

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

	2012		2011	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Cash and cash equivalents	122,466	122,466	222,669	222,669
Factoring receivables	233,544,382	233,544,382	236,425,268	236,425,268
Financial liabilities				
Bank borrowings	105,914,780	105,914,780	151,392,733	151,392,733
Debt securities issued	52,419,024	52,403,319	20,435,166	20,178,044
Factoring payables	990,294	990,294	602,921	602,921
Other liabilities	723,014	723,014	517,214	517,214

5 Interest income other than factoring operations

As at and for the years ended 31 December, interest income other than factoring operations are as follows:

	2012	***2011***
Interest income on bank deposits	485	12,046
	485	**12,046**

6 Other income

For the year ended 31 December 2012, other income comprised of rent income amounting to TL 14,459 (2011: TL 12,462).

7 Personnel expenses

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

	2012	***2011***
Salary expenses	4,483,482	4,002,262
Social security premium employer's share	346,843	302,918
Bonus expenses	230,493	323,529
Insurance expenses	159,698	109,158
Provision for employee severance payments	155,111	106,146
Meal expenses	117,397	109,865
Transportation expenses	93,184	91,066
Unemployment security employer's share	30,926	26,849
Others	77,779	26,198
	5,694,913	**5,097,991**

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

8 Administrative expenses

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

	2012	2011
Rental expenses	451,811	424,663
Audit and consultancy expenses	292,222	202,573
Legal expenses	218,595	83,450
Travel expenses	195,148	234,444
IT related expenses	185,779	46,446
Vehicle expenses	135,996	113,027
Communication expenses	98,818	86,954
Taxes and duties other than on income	89,716	78,839
Utilities	80,406	68,280
Subscription fees	63,306	67,499
Accommodation expenses	56,726	131,809
BRSA participation fee	36,200	33,600
Stationery expenses	34,366	32,541
Advertising expenses	8,206	50,727
Donations	2,250	2,935
Repair and maintenance expenses	-	38,625
Others	251,386	220,881
	2,200,931	**1,917,293**

9 Taxation

As at 31 December 2012, corporate income tax is levied at the rate of 20% (2011: 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 deduction rates included in the 15th and 30th articles of the Law no. 5520 on the Corporate Tax, was redefined according to the Cabinet Decision numbered 2006/10731, which was 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. 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 fourth months fifteen day's 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.

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

9 Taxation *(Continued)*

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.

	2012		2011	
	Amount	**%**	**Amount**	**%**
Reported profit before income taxes	14,407,228		13,291,991	
Taxes on reported profit per statutory tax rate	(2,881,446)	(20)	(2,658,398)	(20)
Permanent differences:				
Non-taxable expenses	(59,360)	-	(71,474)	(1)
Non-taxable income	38,600	-	-	-
Income tax expense	**(2,902,206)**	(20)	**(2,729,872)**	(21)

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

	2012	2011
Current tax expense	3,037,935	3,035,316
Deferred tax expense	(135,729)	(305,444)
Income tax expense	**2,902,206**	**2,729,872**

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 statement of financial position.

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

	2012	2011
Taxes on income	3,037,935	3,035,316
Less: Corporation taxes paid in advance	(2,005,634)	(2,340,907)
Income taxes payable	**1,032,301**	**694,409**

For the years ended 31 December 2012 and 2011, movement of the Company's net deferred tax assets and liabilities is as follows:

	2012	2011
Opening balance	557,126	251,682
Deferred tax income recognized in profit or loss	135,729	305,444
Closing balance	**692,855**	**557,126**

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

9 Taxation *(Continued)*

Deferred income tax is provided, using the balance sheet 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.

As at 31 December 2012 and 2011, details of deferred tax assets and deferred tax liabilities based on the temporary differences calculated by the prevailing tax rate are as follows:

	Temporary differences		Deferred tax assets/(liabilities)	
	31 December 2012	**31 December 2011**	**31 December 2012**	**31 December 2011**
Unearned interest income	3,176,778	2,546,626	635,355	509,325
Reserve for employee severance payments	354,893	233,047	70,979	46,609
Allowance for impaired factoring receivables	316,473	347,000	63,295	69,400
Derivative financial instruments	4,858	-	972	-
Deferred tax assets	**3,853,002**	**3,126,673**	**770,601**	**625,334**
Derivative financial instruments	-	1,990	-	(398)
Tangible assets, and intangible assets	388,728	339,050	(77,746)	(67,810)
Deferred tax liabilities	**388,728**	**341,040**	**(77,746)**	**(68,208)**
Deferred tax assets / (liabilities), net			**692,855**	**557,126**

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 statement of financial position.

		2012			*2011*	
	Gross	*Offsetting*	*Net*	*Gross*	*Offsetting*	*Net*
DTA	770,601	(77,746)	692,855	625,334	(68,208)	557,126
DTL	(77,746)	77,746	-	(68,208)	68,208	-
DTA, net	**692,855**	**-**	**692,855**	**557,126**	**-**	**557,126**

For the years ended 31 December 2012 and 2011, all movements in the deferred tax assets and liabilities have been recognised in profit or loss. As at 31 December 2012 and 2011, there are no unrecognised deferred tax assets and liabilities. Future profit projections and potential tax planning strategies have been taken into consideration during assessment of recoverability of deferred tax assets.

10 Cash and cash equivalents

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

	2012	*2011*
Demand deposits at banks	122,466	222,669
Cash on hand	-	-
Total cash and cash equivalents	**122,466**	**222,669**

As at 31 December 2012, there is not any blockage on bank deposits (31 December 2011: None).

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

11 Factoring receivables

At 31 December, factoring receivables comprised the following:

	2012	2011
Domestic factoring receivables	234,265,797	234,299,902
Export and import factoring receivables	3,752,273	6,013,858
Impaired factoring receivables	6,693,804	4,110,045
Factoring receivables, gross	244,711,874	244,423,805
Unearned factoring interest income	(4,473,688)	(3,888,492)
Allowance for impaired factoring receivables	(6,693,804)	(4,110,045)
Factoring receivables	**233,544,382**	**236,425,268**

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

	2012	2011
Customer notes and cheques	445,057,311	382,312,583
Mortgages	5,611,020	2,166,280
Letters of guarantee	739,631	194,890
Total	**451,407,962**	**384,673,753**

Movements in the allowance for impaired factoring receivables during the years ended 31 December are as follows:

	2012	2011
Balance at the beginning of the year	4,110,045	2,998,992
Provision for the year	3,041,621	1,353,543
Recoveries during the year	(457,862)	(242,490)
Balance at the end of the year	**6,693,804**	**4,110,045**

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

	2012	2011
Overdue 1 to 3 months	805,352	1,167,388
Overdue 3 to 6 months	1,641,218	-
Overdue 6 to 12 months	788,051	186,155
Overdue over 1 year	3,459,183	2,756,502
	6,693,804	**4,110,045**

12 Other assets

As at 31 December, other assets are as follows:

	2012	2011
Prepaid expenses (*)	227,135	201,059
Others	40,970	10,369
	268,105	**211,428**

(*) Prepaid expenses include participation fee paid to the Banking Regulatory Supervisory Agency amounting to TL 36,200 and TL 33,600 as at 31 December 2012 and 2011, respectively, and insurance expenses that will be utilized in the subsequent months.

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

13 Assets held for sale

As at 31 December 2012, assets classified as held for sale consists of two flats obtained in lieu of impaired factoring receivables, amounting to TL 486,703 (2011: TL 486,703).

14 Investment property

Movement of investment property and related accumulated depreciation during the year ended 31 December 2012 is as follows:

	1 January 2012	Additions	Disposals	31 December 2012
Cost				
Buildings	1,344,107	-	-	1,344,107

	1 January 2012	Current year charge	Disposals	31 December 2012
Less: Accumulated Depreciation				
Buildings	125,054	26,883	-	151,937
Net carrying value	**1,219,053**			**1,192,170**

(*) Additions to investment property include renovations to the flat.

Movement of investment property and related accumulated depreciation during the year ended 31 December 2011 is as follows:

	1 January 2011	Additions(*)	Disposals	31 December 2011
Cost				
Buildings	831,731	512,376	-	1,344,107

	1 January 2011	Current year charge	Disposals	31 December 2011
Less: Accumulated Depreciation				
Buildings	106,734	18,320	-	125,054
Net carrying value	**724,997**			**1,219,053**

(*) Additions to investment property include renovations to the flat.

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. The investment property is amortized with straight-line method over its estimated useful life of 50 years.

The fair value of the investment property of the Company is determined by an independent real estate appraisal company in January 2013. The appraisal company has the appropriate qualification and experience for the valuation of property. The expertise report was prepared in accordance with International Valuation Standards and by considering the market prices of the similar properties around the same locations with the related properties. As at 31 December 2012, the fair value of the real estate, which net carrying value is TL 1,192,170, is determined as TL 1,900,000.

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

15 Tangible assets

Movement of tangible assets and related accumulated depreciation during the year ended 31 December 2012 is as follows:

	1 January 2012	Additions	Disposals	31 December 2012
Cost				
Motor vehicles	1,247,735	-	-	1,247,735
Furniture and fixtures	536,930	43,909	-	580,839
Leasehold improvements	321,755	23,600	-	345,355
Others (*)	822,822	7,575	-	830,397
Total cost	**2,929,242**	**75,084**	**-**	**3,004,326**

	1 January 2012	Current year charge	Disposals	31 December 2012
Less: Accumulated depreciation				
Motor vehicles	697,191	154,649	-	851,840
Furniture and fixtures	489,320	27,702	-	517,022
Leasehold improvements	310,353	11,582	-	321,935
Total accumulated depreciation	**1,496,864**	**193,933**	**-**	**1,690,797**
Net carrying value	**1,432,378**			**1,313,529**

Movement of tangible assets and related accumulated depreciation during the year ended 31 December 2011 is as follows:

	1 January 2011	Additions	Disposals	31 December 2011
Cost				
Motor vehicles	757,153	490,582	-	1,247,735
Furniture and fixtures	522,980	13,950	-	536,930
Leasehold improvements	321,755	-	-	321,755
Others (*)	822,822	-	-	822,822
Total cost	**2,424,710**	**504,532**	**-**	**2,929,242**

	1 January 2011	Current year charge	Disposals	31 December 2011
Less: Accumulated depreciation				
Motor vehicles	539,215	157,976	-	697,191
Furniture and fixtures	458,451	30,869	-	489,320
Leasehold improvements	290,812	19,541	-	310,353
Total accumulated depreciation	**1,288,478**	**208,386**	**-**	**1,496,864**
Net carrying value	**1,136,232**			**1,432,378**

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

As at 31 December 2012, total amount of insurance on tangible assets is TL 2,592,141 (31 December 2011: TL 2,465,993) and total amount of insurance premium on tangible assets is TL 27,545 (31 December 2011: TL 21,914). As at 31 December 2012 and 2011, there is no pledge on tangible assets.

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

16 Intangible assets

Movement of intangible assets and related accumulated amortisation during the year ended 31 December 2012 is as follows:

	1 January 2012	Additions	Disposals	31 December 2012
Cost				
Rights	140,246	14,116	-	154,362

	1 January 2012	Current year Charge	Disposals	31 December 2012
Less: Accumulated amortisation				
Rights	120,872	9,015	-	129,887
Net carrying value	**19,374**			**24,475**

Movement of intangible assets and related accumulated amortisation during the year ended 31 December 2011 is as follows:

	1 January 2011	Additions	Disposals	31 December 2011
Cost				
Rights	140,246	-	-	140,246

	1 January 2011	Current year charge	Disposals	31 December 2011
Less: Accumulated amortisation				
Rights	111,172	9,700	-	120,872
Net carrying value	**29,074**			**19,374**

As at 31 December 2012 and 2011, the Company does not have any internally generated intangible assets.

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

17 Loans and borrowings

As at 31 December, secured bank borrowings are as follows:

	2012			
		Nominal	TL amount	
	Original	Interest	Up to	1 year
	Amount	Rate (%) (*)	1 year	and over
TL	94,426,018	6.00-7.50	94,426,018	-
TL (**)	8,020,342	3.75	8,020,342	-
USD	1,680	Libor + 3.8	2,995	-
EUR	1,374,251	3.37-3.92	3,231,826	-
GBP	68,054	4.32	195,370	-
CHF	19,675	Libor +3.8	38,229	-
Total			**105,914,780**	**-**

	2011			
		Nominal	TL amount	
	Original	Interest	Up to	1 year
	Amount	Rate (%) (*)	1 year	and over
TL	135,016,185	11.55-17.00	135,016,185	-
TL (**)	10,731,699	4.98-5.77	10,731,699	-
USD	86,176	Libor + 4.25	162,778	-
EUR	2,243,257	Libor + 3.39	5,482,071	-
Total			**151,392,733**	**-**

(*) These rates represent the average nominal interest rate range of outstanding borrowings with fixed and floating rates as at 31 December 2012 and 2011.

(**) Includes the balances with reference to foreign currency indexed bank borrowings.

As at 31 December 2012, the Company has cheques and promissory notes amounting to TL 152,104,188 (31 December 2011: TL 209,634,993) given as collateral against its outstanding bank borrowings.

18 Debt securities issued

The Company has issued floating rate debt securities amounting to TL 50,000,000 at 31 July 2012 with 2 years maturity and six-months period interest payment. As at 31 December 2012, debt securities are as follows:

	2012					
	Currency	**Maturity**	**Interest type**	**Interest rate (*)**	**Nominal value**	**Carrying value**
Debt Securities	TL	2014	Floating (**)	5.7177%	50,000,000	52,419,024
						52,419,024

	2011					
	Currency	**Maturity**	**Interest type**	**Interest rate (*)**	**Nominal value**	**Carrying value**
Debt Securities	TL	2012	Floating	5.5000%	20,000,000	20,435,166
						20,435,166

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

18 Debt securities issued *(continued)*

(*) Represents the semi-annual interest rate applicable for the first coupon payment term.

(**)The second coupon payment interest rate for the next six-month is 4.7579%. The "Benchmark Interest" that will constitute the base of the interest rate of the Security will be the last 5 business days weighted arithmetic mean of the zero coupon government bond with the longest term at Istanbul Stock Exchange Bills Market Outright Purchases and Sales Market issued by the Treasury. The same procedure will be repeated to present the "Benchmark Interest" on each coupon payment day and the valid Coupon Interest Rate will constitute the base of the next coupon payment. The Coupon Interest Rate will be calculated by adding 3.75% (2011: 2.70%) additional rate of return per annum to the "Benchmark Interest Rate".

19 Factoring payables

As at 31 December, factoring payables comprised the following:

	2012	***2011***
Domestic factoring payables	990,294	602,921
	990,294	**602,921**

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

20 Other liabilities

As at 31 December, other liabilities comprised the following:

	2012	***2011***
Taxes and duties other than on income tax	525,917	325,542
Trade payables to vendors	133,374	140,881
Social security payables	63,723	50,791
	723,014	**517,214**

21 Derivative financial assets and derivative financial liabilities

The Company uses currency swap derivative instruments. "Currency swaps" are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies. The Company uses these derivative financial instruments, not designated in a qualifying hedge relationship, to manage its exposure to foreign currency risk.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the statement of financial position but do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments and, therefore, do not indicate the Company's exposure to credit or price risks. The derivative instruments become favorable (assets) or unfavorable (liabilities) as a result of fluctuations in foreign exchange rates and interest rates relative to their terms. The aggregate contractual or notional amount of derivative financial instruments on hand, the extent to which instruments are favorable or unfavorable and, thus the aggregate fair values of derivative financial assets and liabilities can fluctuate significantly from time to time.

The fair values of derivative instruments held as at 31 December, which represent the carrying values are as follows:

	2012		***2011***	
	Assets	***Liabilities***	***Assets***	***Liabilities***
Currency swap purchases and sales	77,889	(82,747)	244,353	(242,363)
	77,889	**(82,747)**	**244,353**	**(242,363)**

As at 31 December 2012 and 2011, the details of derivative transactions is presented in Note 25.

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

22 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 TL 3,033.98 at 31 December 2012 (2011: TL 2,731.85) 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.

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

	2012	***2011***
Balance at the beginning of the year	233,047	178,445
Interest cost	20,788	13,504
Service cost	60,009	37,240
Paid during the year	(33,265)	(51,544)
Actuarial difference	74,314	55,402
Balance at the end of the year	**354,893**	**233,047**

The Company recognises the actuarial gains/losses in profit or loss.

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

23 Capital and reserves

23.1 Paid-in capital

The Company has increased its share capital to TL 50,000,000 by TL 1,000,000 from the profit of 2010 and TL 9,000,000 from the profit of 2011, with the resolution of Board of Directors meeting held on 5 March 2012.

At 31 December 2012, the Company's nominal value of authorized and paid-in share capital amounts to TL 50,000,000 (2011: TL 40,000,000) comprising 50.000.000 (2011: 40.000.000) registered shares of par value of TL 1 each. Adjustment to share capital represents the restatement effect of the cash contributions to share capital equivalent to purchasing power of TL as of 31 December 2005.

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

	2012		2011	
	Share (%)	TL	Share (%)	TL
M. Semra Tümay	49.00%	24,500,000	49.00%	19,600,000
Murat Tümay	25.50%	12,749,999	25.50%	10,199,999
Zeynep Ş. Akçakayalıoğlu	25.50%	12,749,999	24.50%	9,799,999
Others	0.00%	2	1.00%	400,002
Share capital	100.00%	50,000,000	100.00%	40,000,000
Adjustment to share capital		279,326		279,326
Total share capital		**50,279,326**		**40,279,326**

23.2 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 TL 9,174,381 (historical) at 31 December 2012 (2011: TL 8,424,204 (historical)).

According to the decisions based on the General Assembly Meeting held on 23 February 2012 and the Extraordinary General Assembly Meeting held on 31 August 2012, it was decided to distribute TL 1,000,000 from the profit of 2010 and TL 1,000,000 from the profit of 2011 as dividend to the owners of the Company. Dividends amounting to TL 2,000,000 are totally paid in cash as at 31 December 2012.

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

24 Risk management disclosures

The Company has exposure to the following risks from its use of financial instruments:

- credit risk
- market risk
- liquidity risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

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 transactions with the firms which do not meet the predetermined criteria for credit approval. Credit evaluations are performed on all customers by the Credit Risk Committee based on their authorisation limits. The 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 2012, 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 statement of financial position.

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

	2012	%	2011	%
Textiles	37,082,472	16	41,378,441	18
Food, beverages and tobacco	31,274,396	13	26,042,243	11
Construction	25,744,758	11	27,618,963	12
Financial services	25,149,703	11	8,958,626	4
Tourism	14,863,580	6	23,098,040	9
Mining other than metal	12,644,926	5	23,729,059	9
Agriculture and ranching	10,539,883	5	1,297,502	1
Electrical equipments	10,405,786	4	269,052	1
Transportation, storage and communication	10,096,385	4	8,847,743	4
Rubber and plastic goods	8,760,072	4	11,544,646	5
Retail and wholesale trade	7,119,246	3	7,192,530	3
Wood and wooden products	6,231,319	3	8,266,373	3
Automotive	3,629,232	2	12,963,907	5
Cultural, recreational and sports activities	3,499,792	2	7,042,636	3
Chemicals and pharmaceuticals	3,204,359	1	2,985,815	1
Iron, steel, coal, petroleum and other mines	2,780,184	1	9,863,662	4
Machinery and equipment	2,742,935	1	6,360,785	3
Computer and computer equipments	893,980	1	3,975,727	2
Others	16,881,374	7	4,989,518	2
	233,544,382	**100**	**236,425,268**	**100**

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

24 Risk management disclosures *(continued)*

Credit risk (continued)

The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

As at 31 December 2012 and 2011, details of the financial assets exposed to credit risk are as follows:

	2012	2011
Cash at banks	122,466	222,669
Factoring receivables, net	233,544,382	236,425,268
Derivative financial assets	77,889	244,353

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

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 re-price 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 table below summarize average effective interest rates by major currencies for monetary financial instruments at 31 December:

	2012				2011			
	USD (%)	EUR (%)	GBP (%)	TL (%)	USD (%)	EUR (%)	GBP (%)	TL (%)
Assets								
Factoring receivables	6.36	6.85	7.95	14.38	7.50	7.60	8.75	17.90
Liabilities								
Loans and borrowings	3.74	3.81	4.32	6.73	5.77	5.49	4.98	14.75
Debt securities issued	-	-	-	11.47	-	-	-	11.34

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

24 Risk management disclosures *(continued)*

Market risk *(continued)*

Interest rate profile

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

	Carrying Amount	
Fixed rate instruments	**2012**	**2011**
Factoring receivables	150,624,373	123,120,162
Loans and borrowings	31,538,220	119,166,185
Variable rate instruments		
Factoring receivables	82,920,009	113,305,107
Loans and borrowings	74,376,560	32,226,548
Debt securities	52,419,024	20,435,166

Cash flow sensitivity analysis for variable rate instrument

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

	Profit or (loss)	
	100 bp increase	**100 bp decrease**
2012		
Variable rate instruments	184,589	(184,589)
2011		
Variable rate instruments	11,661	(11,661)

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Additionally, the Company does not account for any fixed rate financial assets and liabilities as available-for-sale. Therefore a change in interest rates at the reporting date would not directly affect equity.

Foreign currency risk

The Company is exposed to currency risk through transactions (such as factoring operations and borrowings) in foreign currencies. As the currency in which the Company presents its financial statements is TL, the financial statements are affected by movements in the exchange rates against TL. The Company uses currency swap contracts to manage its exposure to foreign currency risk, which will be realized in a short period of time.

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

	2012	**2011**
A. Foreign currency monetary assets	12,027,486	16,947,611
B. Foreign currency monetary liabilities	(11,790,305)	(16,390,583)
C. Derivative financial instruments	346,287	-
Net foreign currency position (A+B+C)	**583,468**	**557,028**

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

24 Risk management disclosures *(Continued)*

Market risk *(Continued)*

Foreign currency risk (continued)

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

	2012				
	USD	***Euro***	***GBP***	***Other***	***Total***
Foreign currency monetary assets					
Cash and cash equivalents	57,503	115	894	-	58,512
Factoring receivables	6,734,496	4,994,138	195,912	42,645	11,967,191
Other assets	1,783	-	-	-	1,783
Total foreign currency monetary assets	**6,793,782**	**4,994,253**	**196,806**	**42,645**	**12,027,486**
Foreign currency monetary liabilities					
Loans and borrowings	5,760,386	5,494,774	195,372	38,229	11,488,761
Factoring payables	252,407	38,395	-	-	290,802
Other payables	5,540	4,993	-	209	10,742
Total foreign currency monetary liabilities	**6,018,333**	**5,538,162**	**195,372**	**38,438**	**11,790,305**
Net on balance sheet position	**775,449**	**(543,909)**	**1,434**	**4,207**	**237,181**
Off balance sheet net notional position	-	346,287	-	-	-
Net position	**775,449**	**(197,622)**	**1,434**	**4,207**	**583,468**

	2011			
	USD	***Euro***	***GBP***	***Total***
Foreign currency monetary assets				
Cash and cash equivalents	65,928	171	-	66,099
Factoring receivables	3,814,305	7,932,827	5,132,491	16,879,623
Other assets	1,889	-	-	1,889
Total foreign currency monetary assets	**3,882,121**	**7,932,999**	**5,132,491**	**16,947,611**
Foreign currency monetary liabilities				
Loans and borrowings	2,815,834	8,455,964	5,104,750	16,376,548
Factoring payables	-	-	-	-
Other payables	-	14,035	-	14,035
Total foreign currency monetary liabilities	**2,815,834**	**8,469,999**	**5,104,750**	**16,390,583**
Net on balance sheet position	**1,066,287**	**(537,000)**	**27,741**	**557,028**
Off balance sheet net notional position	**-**	**-**	**-**	**-**
Net position	**1,066,287**	**(537,000)**	**27,741**	**557,028**

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

24 Risk management disclosures *(Continued)*

Market risk (Continued)

Foreign currency sensitivity analysis

Depreciation of TL by 10% against the other currencies as at 31 December 2012 and 2011 would have decreased profit or loss before tax by the amounts shown below. This analysis assumes that all other variables, as at 31 December 2012 and 2011 remain constant.

TL	Profit/(Loss) 2012	Profit/(Loss) 2011	Equity (*) 2012	Equity (*) 2011
USD	77,545	106,629	77,545	106,629
EUR	(19,762)	(53,700)	(19,762)	(53,700)
GBP	143	2,774	143	2,774
Other	421	-	421	-
Total	**58,347**	**55,703**	**58,347**	**55,703**

(*) Equity effect includes profit or loss effect.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. 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. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

The following are the contractural maturities of financial liabilities of the Company:

			31 December 2012			
	Carrying amount	**Contractual cash flows**	**3 months or less**	**3-12 months**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities	**159,457,472**	**169,285,310**	**99,940,010**	**16,486,450**	**52,858,850**	**-**
Loans and borrowings	105,914,780	106,726,242	95,957,492	10,768,750	-	-
Debt securities	52,419,024	61,435,400	2,858,850	5,717,700	52,858,850	-
Factoring payables	990,294	990,294	990,294	-	-	-
Other liabilities	133,374	133,374	133,374	-	-	-
Derivative financial liabilities	**(4,858)**	**(4,869)**	**(2,128)**	**(2,741)**	**-**	**-**
Inflow	77,889	91,779	40,706	51,073		-
Outflow	(82,747)	(96,648)	(42,834)	(53,814)	-	-

			31 December 2011			
	Carrying amount	**Contractual cash flows**	**3 months or less**	**3-12 months**	**1-5 years**	**More than 5 years**
Non-derivative financial liabilities	**172,571,701**	**175,291,389**	**98,800,186**	**76,491,203**	**-**	**-**
Loans and borrowings	151,392,733	152,285,801	98,056,384	54,229,417	-	-
Debt securities	20,435,166	22,261,786	-	22,261,786	-	-
Factoring payables	602,921	602,921	602,921	-	-	-
Other liabilities	140,881	140,881	140,881	-	-	-
Derivative financial liabilities	**1,990**	**1,993**	**1,815**	**178**	**-**	**-**
Inflow	244,353	240,475	176,939	63,536	-	-
Outflow	(242,363)	(238,482)	(175,124)	(63,358)	-	-

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

24 Risk management disclosures *(Continued)*

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 Board of Directors monitors the return on capital, which includes the capital and reserves explained in note 23. There is no change in the capital management policy of the Company in the current year.

25 Commitments and contingencies

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

Letters of guarantee	***2012***	***2011***
Given to legal courts	739,631	194,890
	739,631	**194,890**

As at 31 December 2012, the Company has given cheques and notes amounting to TL 152,104,188 (2011: TL 209,634,993) as collateral against its outstanding bank borrowings.

As at 31 December, commitments for purchase and sale of currencies under swap contracts are as follows:

		2012		***2011***	
		Foreign currency	***TL***	***Foreign currency***	***TL***
Currency swap purchases					
	USD	1,399,879	2,495,424	2,369,597	4,475,932
	TL	6,350,309	6,350,309	6,100,767	6,100,767
	EUR	1,748,556	4,112,079	704,132	1,720,759
Total purchases			**12,957,812**		**12,297,458**

		2012		***2011***	
		Foreign currency	***TL***	***Foreign currency***	***TL***
Currency swap sales					
	USD	1,399,879	2,495,424	2,369,597	4,475,932
	TL	6,355,180	6,355,180	6,098,776	6,098,776
	EUR	1,601,306	3,765,792	704,132	1,720,759
Total sales			**12,616,396**		**12,295,467**

As at 31 December 2012 and 2011, the details of the Company's items held in custody is as follows:

	2012	***2011***
Cheques	236,950,306	260,088,416
Notes	35,009,115	48,660,572
Mortgages	5,611,020	2,166,280
	277,570,441	**310,915,268**

As at 31 December 2012, the Company has import guarantees amounting to TL 2,100,805 (2011: None).

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

26 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.

	2012	***2011***
General administrative expenses		
M. Semra Tümay - rental expense	428,936	405,163
	428,936	**405,163**

Total benefit of key management for the years ended 31 December 2012 and 2011 amounted to TL 2,827,894 and TL 2,375,294, respectively.

27 Events after the reporting period

In the meeting of the Board of Directors held on 25 February 2013; it was decided to gather the Ordinary General Assembly meeting for the year ended 31 December 2012 according to 416th article of the Turkish Commercial Code.