

**Tekstil Finansal Kiralama Anonim Şirketi**

Financial Statements  
Together With  
Independent Auditors' Report Thereon  
31 December 2007

Akis Bağımsız Denetim ve Serbest Muhasebeci  
Mali Müşavirlik Anonim Şirketi

7 March 2008

*This report includes 1 page of independent  
auditors' report and 40 pages of financial  
statements together with its explanatory notes.*

## Table of Contents

	Page
	-----
Independent Auditors' Report	1
Balance Sheet	2
Income Statement	3
Statement of Changes in Equity	4
Statement of Cash Flows	5
Notes to the Financial Statements	6-40



**Akis Bağımsız Denetim ve Serbest  
Muhasebeci Mali Müşavirlik A.Ş.**

Yapı Kredi Plaza C Blok Kat 17  
Büyükdere Caddesi  
Levent 34330 İstanbul

Telephone +90 (212) 317 74 00  
Fax +90 (212) 317 73 00  
Internet www.kpmg.com.tr

## **Independent Auditors' Report**

To the Board of Directors of  
Tekstil Finansal Kiralama Anonim Şirketi

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Tekstil Finansal Kiralama Anonim Şirketi ("the Company"), which comprise the balance sheet as at 31 December 2007, and the income statement and cash flow statement 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 judgment, 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 opinion.

### **Opinion**

In our opinion, the statements give a true and fair view of the financial position of the Company as at 31 December 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

7 March 2008  
Istanbul, Turkey

*KPMG Akis Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik A.Ş.*

**Tekstil Finansal Kiralama Anonim Şirketi**

## Balance Sheet

As at 31 December 2007

(Currency : New Turkish Lira (“YTL”))

	Notes	2007	2006
<b>ASSETS</b>			
Cash and cash equivalents	5	13,239,961	1,547,203
Investments	6	846,095	843,976
Minimum financial lease receivable, net	7	65,887,509	47,739,872
Derivative financial instruments	15	217,675	86,448
Tangible assets, net	8	88,938	109,302
Intangible assets, net	9	29,503	36,001
Other assets	10	3,583,588	1,637,189
<b>Total assets</b>		<b>83,893,269</b>	<b>51,999,991</b>
<b>LIABILITIES AND EQUITY</b>			
Loans and borrowings	11	48,547,930	19,915,164
Trade payables	12	1,722,015	3,331,176
Derivative financial instruments	15	-	3,563
Advances from customers		1,418,112	814,588
Other liabilities		122,610	92,676
Employee benefits	13	74,431	97,461
<b>Total liabilities</b>		<b>51,885,098</b>	<b>24,254,628</b>
<b>Equity</b>			
Share capital	16	22,703,482	22,703,482
Share premium		274	274
Retained earnings		9,304,415	5,041,607
<b>Total equity</b>		<b>32,008,171</b>	<b>27,745,363</b>
<b>Total liabilities and equity</b>		<b>83,893,269</b>	<b>51,999,991</b>

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

**Tekstil Finansal Kiralama Anonim Şirketi**  
**Income Statement**  
For the year ended 31 December 2007  
(Currency : New Turkish Lira (“YTL”))

	Notes	2007	2006
Interest income from financial leases		8,173,341	6,062,021
Interest income on bank deposits		533,446	104,942
<b>Total interest income</b>		<b>8,706,787</b>	<b>6,166,963</b>
Interest expense on borrowings		(1,515,296)	(1,089,914)
Discount income/loss		(86,839)	(43,969)
<b>Net interest income</b>		<b>7,104,652</b>	<b>5,033,080</b>
Net gain/(loss) from derivative instruments carried at fair value		2,878,701	(49,377)
Foreign exchange gain/(loss), net	20	(2,486,877)	2,217,517
Fees and commission expense		(164,424)	(140,421)
Other income (expense), net	21	678,984	111,097
<b>Operating income</b>		<b>8,011,036</b>	<b>7,171,896</b>
Impairment losses net of recoveries	7	233,592	(175,961)
Marketing and selling expenses		(31,102)	(24,489)
General and administrative expenses	19	(3,950,718)	(3,093,616)
<b>Income before tax</b>		<b>4,262,808</b>	<b>3,877,830</b>
Taxation charge	14	-	-
<b>Net profit for the year</b>		<b>4,262,808</b>	<b>3,877,830</b>
Basic earnings per share in full YTL	17	<b>0.25</b>	<b>0.23</b>

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

**Tekstil Finansal Kiralama Anonim Şirketi**

## Statement of Changes in Equity

For the year ended 31 December 2007

(Currency : New Turkish Lira (“YTL”))

	<b>Share Capital</b>	<b>Adjustment to Share Capital</b>	<b>Share Premium</b>	<b>Retained Earnings</b>	<b>Total</b>
At 1 January 2006	17,000,000	5,703,482	274	1,163,777	<b>23,867,533</b>
Net profit for the year	-	---	-	3,877,830	<b>3,877,830</b>
<b>At 31 December 2006</b>	<b>17,000,000</b>	<b>5,703,482</b>	<b>274</b>	<b>5,041,607</b>	<b>27,745,363</b>
Net profit for the year	-	-	-	4,262,808	<b>4,262,808</b>
<b>At 31 December 2007</b>	<b>17,000,000</b>	<b>5,703,482</b>	<b>274</b>	<b>9,304,415</b>	<b>32,008,171</b>

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

**Tekstil Finansal Kiralama Anonim Şirketi**  
Statement of Cash flows  
As of and for the year ended 31 December 2007  
(Currency: New Turkish Lira (“YTL”))

	Notes	2007	2006
<b>Net profit</b>		<b>4,262,808</b>	<b>3,877,830</b>
<i>Adjustments to reconcile net profit to net cash provided by operating activities:</i>			
Depreciation and amortization	8,9	53,458	96,821
Interest expense		1,515,296	1,089,914
Foreign exchange (gain) / loss on funds borrowed		(2,876,776)	2,024,241
Change in fair value derivative contracts		(127,664)	(47,178)
Change in reserve for employee severance payments		(23,030)	(50,500)
Provision for possible lease receivable losses		50,562	(41,935)
Impairment on investments	6	-	38,317
Income accrual for time deposits		(12,585)	(1,260)
<b>Changes in operating assets and liabilities</b>			
Change in minimum financial lease receivable	7	(18,147,637)	(8,633,772)
Change in other assets		(1,995,042)	533,540
Change in trade payables		(1,696,000)	297,596
Change in other liabilities		633,458	(291,596)
<b>Net cash used in operating activities</b>		<b>(18,363,152)</b>	<b>(1,107,982)</b>
<b>Cash flows from investing activities</b>			
Purchase of tangible assets	8	(21,612)	(4,954)
Proceed from sale of tangible assets	8	-	3,815
Proceed from sale of intangible assets	9	-	1,842
<b>Net cash (used in) /provided by investing activities</b>		<b>(21,612)</b>	<b>703</b>
<b>Cash flows from financing activities</b>			
Proceeds from funds borrowed		50,180,825	17,527,912
Repayments of funds borrowed		(18,898,702)	(14,528,752)
Interest paid		(1,204,601)	(1,149,981)
<b>Net cash provided by financing activities</b>		<b>30,077,522</b>	<b>1,849,179</b>
Net increase in cash and cash equivalents		11,692,758	741,900
Cash and cash equivalents at the beginning of the year		1,547,203	805,303
<b>Cash and cash equivalents at the end of the year</b>	5	<b>13,239,961</b>	<b>1,547,203</b>

The accompanying policies notes are an integral part of these financial statements.

## **Tekstil Finansal Kiralama Anonim Şirketi**

Notes to the Financial Statements  
As of and for Year Ended 31 December 2007

*Currency – New Turkish Lira (YTL)*

### **Notes to the financial statements**

- |  |   |
|--|---|
| 1. Reporting entity                    | 13. Employee benefits                   |
| 2. Basis of preparation                | 14. Taxation on income                  |
| 3. Significant accounting policies     | 15. Derivative financial instruments    |
| 4. Fair value of financial instruments | 16. Equity                              |
| 5. Cash and cash equivalents           | 17. Earnings per share                  |
| 6. Investments                         | 18. Related party disclosures           |
| 7. Minimum lease payments receivable   | 19. General and administrative expenses |
| 8. Tangible assets                     | 20. Foreign exchange gain/(loss)        |
| 9. Intangible assets                   | 21. Other income/(expense), net         |
| 10. Other assets                       | 22. Commitments and contingencies       |
| 11. Loans and borrowings               | 23. Financial risk management           |
| 12. Trade payables                     | 24. Subsequent events                   |

## **Tekstil Finansal Kiralama Anonim Şirketi**

Notes to the financial statements

As of and for the year ended 31 December 2007

(Currency: New Turkish Lira (“YTL”))

### **1 Reporting Entity**

Tekstil Finansal Kiralama Anonim Şirketi (“Tekstil Leasing” or the “Company”) was established in 1992, in order to operate in Turkey pursuant to the licence obtained from the Under Secretariat of Treasury for the purpose of financial leasing as permitted by the law number 3226. Certain shares of the Company are listed on the İstanbul Stock Exchange since 20 February 1995. The registered office address of the Company is Aydınevler Mahallesi, İnönü Caddesi, Gökçe Sokak, GSD Binası, No:14 Küçükyalı, İstanbul, Turkey.

The General Assembly and certain regulatory bodies have the power to amend the statutory financial statements after issue. The financial statements of the Company were authorized by the management on 7 March 2008.

The Company's parent and ultimate parent company is GSD Holding Anonim Şirketi (“GSD Holding”).

The operations of the Company consist of all types of financial leasing.

### **2 Basis of Preparation**

#### **(a) Statement of compliance**

The Company maintains its books of account and prepares its statutory financial statements in New Turkish Lira (“YTL”) in accordance with the Turkish Uniform Chart of Accounts, the Turkish Commercial Code (“the TCC”), and Tax Legislation. The financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS.

#### **(b) Basis of measurement**

The financial statements have been prepared on the historical cost basis except for the derivative financial instruments which are measured at fair value.

The methods used to measure fair values are discussed further in note 3 (m) and 4.

#### **(c) Functional and presentation currency**

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

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

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

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

**2 Basis of Preparation** (continued)

**(d) Use of estimates and judgments** (continued)

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 recognized in the financial statements are described in the following notes:

- Note 4 – fair value of financial instrument
- Note 13 – measurement of reserve for employee benefits
- Note 14 – taxation
- Note 22– contingencies
- Note 23 – financial risk management

**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% as of 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 YTL 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 year ended 31 December 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 YTL 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 period.

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

Dates	EUR / YTL	USD / YTL
31 December 2005	1.5875	1.3418
31 December 2006	1.8515	1.4056
31 December 2007	1.7102	1.1647

## **Tekstil Finansal Kiralama Anonim Şirketi**

Notes to the financial statements

As of and for the year ended 31 December 2007

(Currency: New Turkish Lira (“YTL”))

### **3 Significant Accounting Policies (continued)**

#### **(c) Financial Instruments**

##### *i) Non-derivative financial instruments*

Non-derivative financial instruments comprise minimum lease receivables and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

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

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

Cash and cash equivalents comprise cash balances, demand and time deposits.

Accounting for interest income and expense is discussed in note 3(o).

##### *Loans and borrowings*

Loans and 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 non-derivative financial instruments including minimum lease receivables and time deposits are measured at amortized cost using the effective interest method, less any impairment losses.

Demand deposits, trade and other payables are measured at cost.

##### *(ii) Derivative financial instruments*

The Company holds derivative financial instruments to hedge its foreign currency risk exposure.

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in income statement when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

##### *Economic hedges*

Hedge accounting is not applied to derivative instruments that economically hedge monetary assets and liabilities denominated in foreign currencies. Changes in the fair value of such derivatives are recognized in income statement as part of foreign currency gains and losses.

**3 Significant Accounting Policies** (continued)

**(c) Financial Instruments** (continued)

**(iii) Share capital**

*Ordinary shares*

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

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

**(d) Tangible assets**

**(i) Recognition and measurement**

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

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

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

**(ii) Subsequent costs**

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

**(iii) Depreciation**

Tangible assets are stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value.

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

	Years
Furnitures	5
Office equipment and motor vehicles	5
Leasehold improvements	5

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each financial year end.

## **Tekstil Finansal Kiralama Anonim Şirketi**

Notes to the financial statements

As of and for the year ended 31 December 2007

(Currency: New Turkish Lira (“YTL”))

### **3 Significant Accounting Policies (continued)**

#### **(e) 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 YTL units current at 31 December 2005 pursuant to IAS 29, less accumulated amortization, and impairment losses. Intangible assets acquired after 1 January 2006 are measured at cost, less accumulated amortization, and impairment losses. Amortization is charged to the income statement on a straight-line basis over the estimated useful lives of intangible assets.

#### **f) Leased assets**

The Company presents leased assets as a receivable equal to the net investment in the lease. Finance income is based on a pattern reflecting a constant periodic rate of return on the net investment outstanding. Initial direct costs are included in the initial measurement of the finance lease receivable and reduce the amount of income recognized over the lease term.

#### **(g) 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 amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

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

All impairment losses are recognized in income statement.

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 amortized cost and available-for-sale financial assets, 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 period.

##### **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 income statement.

## **Tekstil Finansal Kiralama Anonim Şirketi**

Notes to the financial statements

As of and for the year ended 31 December 2007

(Currency: New Turkish Lira (“YTL”))

### **3 Significant Accounting Policies (continued)**

#### **(g) Impairment (continued)**

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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, 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 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 amortization, if no impairment loss had been recognized.

#### **(h) 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 recognised 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.

##### **(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.

##### **(i) Provisions**

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

##### **(j) Offsetting**

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

##### **(k) Related parties**

For the purpose of this report, the shareholders of the Company, GSD Holding and Group of companies, the ultimate shareholders of the Company and the companies controlled by/associated with them are referred to as related parties.

## **Tekstil Finansal Kiralama Anonim Şirketi**

Notes to the financial statements

As of and for the year ended 31 December 2007

(Currency: New Turkish Lira (“YTL”))

### **3 Significant Accounting Policies (continued)**

#### **(I) Revenue and cost recognition**

##### **(i) Interest income from direct finance leases**

The Company's financial leases consist of leases of vehicles and various equipments, including industrial machinery and office equipments. The excess of aggregate lease rentals plus the residual value over the cost of the leased asset constitutes the unearned lease income to be taken into income over the term of the lease and produce a constant periodic rate of return on the net cash investment remaining in each lease. The Company restructures the payment terms on some of the lease contracts cancelled due to customers' inability to repay on a timely basis. Interest income from revision of lease contracts reflects the additional fees and charges arising from delayed payments of the customers.

##### **(ii) Interest income and expense**

Interest income and expense is recognized in the accompanying income statement as it accrues, taking into account the effective yield of the asset or an applicable floating rate. Interest income and expense includes the amortization of any discount or premium or other differences between the initial carrying amount of an interest bearing instrument and its amount at maturity calculated on an effective interest rate basis.

Dividends are recognized when the shareholder's right to receive the payment is established.

##### **(m) 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 period/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 asset 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 or substantially enacted tax rates are used to determine deferred taxes on income.

Deferred taxes related to fair value remeasurement of available-for-sale assets are charged or credited directly to equity and subsequently recognized in the income statement together with the deferred gains or losses that are realized.

## **Tekstil Finansal Kiralama Anonim Şirketi**

Notes to the financial statements

As of and for the year ended 31 December 2007

(Currency: New Turkish Lira (“YTL”))

### **3 Significant Accounting Policies (continued)**

#### **(n) 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 2007, 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 main 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.
- IFRIC 11 IFRS 2 – Group and Treasury Share Transactions requires a share-based payment arrangement in which an entity receives goods or services as consideration for its own equity instruments to be accounted for as an equity-settled share-based payment transaction, regardless of how the equity instruments are obtained. IFRIC 11 will become mandatory for the Company’s 2008 financial statements, with retrospective application required. It is not expected to have any impact on the financial statements.
- IFRIC 12 ,Service Concession Arrangements provides guidance on certain recognition and measurement issues that arise in accounting for public-to-private service concession arrangements. IFRIC 12, which becomes mandatory for the Company’s 2008 financial statements, is not expected to have any effect on the financial statements.
- 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.
- IFRIC 14 IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction clarifies when refunds or reductions in future contributions in relation to defined benefit assets should be regarded as available and provides guidance on the impact of minimum funding requirements (MFR) on such assets. It also addresses when a MFR might give rise to a liability. IFRIC 14 will become mandatory for the Company’s 2008 financial statements, with retrospective application required. 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.

## **Tekstil Finansal Kiralama Anonim Şirketi**

Notes to the financial statements

As of and for the year ended 31 December 2007

(Currency: New Turkish Lira (“YTL”))

### **3 Significant Accounting Policies** *(continued)*

#### **(o) 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, judgment is necessary 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 realized in the current circumstances.

The Company utilizes the currency forward derivative instruments. “Currency forwards” represent commitments to purchase or to sell foreign and domestic currency, including undelivered spot transactions. The Company conducts these transactions in order to hedge foreign currency position on balance sheet.

The notional amounts of certain types of financial instruments provide a basis for comparison with instruments recognized on the balance sheet 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.

**Tekstil Finansal Kiralama Anonim Şirketi**  
Notes to the financial statements  
As of and for the year ended 31 December 2007  
(Currency: New Turkish Lira (“YTL”))

**4 Fair value of financial instruments**

Set out below is a comparison by category of carrying amounts and fair values of the financial instruments that are carried in the financial statements at other than fair values.

<b>31 December 2007</b>	<b>Fair Value</b>	<b>Book Value</b>
<b>Financial Assets:</b>		
Cash and cash equivalents	13,239,961	13,239,961
Financial lease receivable	67,150,560	65,887,509
<b>Financial liabilities:</b>		
Trade payables	1,691,371	1,691,371
Financial liabilities	48,455,690	48,547,930
<b>31 December 2006</b>	<b>Fair Value</b>	<b>Book Value</b>
<b>Financial Assets:</b>		
Cash and cash equivalents	1,547,203	1,547,203
Financial lease receivable	49,030,024	47,739,872
<b>Financial liabilities:</b>		
Trade payables	3,107,677	3,107,677
Financial liabilities	19,996,779	19,915,164

**5. Cash and cash equivalents**

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

	<b>2007</b>	<b>2006</b>
Cash at banks-time	12,656,902	1,206,268
Cash at banks-demand	582,018	340,615
Cash on hand	1,041	320
<b>Total</b>	<b>13,239,961</b>	<b>1,547,203</b>

At 31 December 2007, the maturity dates of time deposits are between 2 January 2008 and 30 January 2008 (31 December 2006: 4 January 2007). Interest rates applied to these time deposits ranged between 3.75% and 18.50% (31 December 2006: 3.00% - 18.00 %).

At 31 December 2007, cash at related party banks amounts to YTL 12,797,151 (31 December 2006: YTL 1,306,396).

**Tekstil Finansal Kiralama Anonim Şirketi**

Notes to the financial statements

As of and for the year ended 31 December 2007

(Currency: New Turkish Lira ("YTL"))

**6. Investments**

For the years ended 31 December, investments comprised the following:

	<b>2007</b>	<b>2006</b>
Available-for-sale investments at cost		
Unlisted equity securities	884,412	882,293
Less: Impairment in value	(38,317)	(38,317)
<b>Total</b>	<b>846,095</b>	<b>843,976</b>

Unlisted equity securities classified as available-for-sale represent the Company's equity holdings in the companies, shares of which are not publicly traded. Consequently they are reflected at cost less reserve for impairment since a reliable estimate of their fair values could not be made.

The Company has attended to the share capital increase of Tekstil Menkul Değerler A.Ş in 2007. The Company increased its' shares by YTL 2,119. YTL 1,510 of the increase made in cash by the Company and remaining amount of YTL 609 was realized as bonus shares by Tekstil Menkul Değerler AŞ.

Investments in affiliated companies which are classified as available-for-sale are as follows:

	<b>31 December 2007</b>		<b>31 December 2006</b>	
	<b>Amount</b>	<b>Ownership Percentage</b>	<b>Amount</b>	<b>Ownership Percentage</b>
Equity instruments-unlisted				
Tekstil Factoring Hizmetleri A.Ş.	819,801	1.98	819,801	1.98
Others	26,294		24,175	
<b>Total available-for-sale financial assets at cost</b>	<b>846,095</b>		<b>843,976</b>	

**7. Minimum lease payments receivable**

At 31 December, finance lease receivables are as follows:

	<b>2007</b>	<b>2006</b>
Financial lease receivable	78,825,609	55,431,802
Overdue receivables arising from capital leasing services	1,376,504	1,457,886
Gross financial lease receivable	80,202,113	56,889,688
Reserve for impaired financial lease receivables	(1,821,523)	(2,055,115)
Subtotal	78,380,590	54,834,573
Unearned interest income	(12,493,081)	(7,094,701)
<b>Minimum financial lease receivable, net</b>	<b>65,887,509</b>	<b>47,739,872</b>

Net investments in finance leases may be analyzed as follows:

Not later than one year	32,892,711	27,037,443
Later than one year and not later than five years	32,994,798	20,702,429
	<b>65,887,509</b>	<b>47,739,872</b>

**Tekstil Finansal Kiralama Anonim Şirketi**

Notes to the financial statements

As of and for the year ended 31 December 2007

(Currency: New Turkish Lira ("YTL"))

**7. Minimum lease payments receivable (continued)**

Minimum financial lease receivable consists of rentals receivable over the terms of leases. According to the lease agreements made with lessees, there is an insignificant residual value guaranteed to the lessor and the ownership of the items leased is transferred to the lessees at the end of the lease term.

The maturity profile of the long-term minimum financial lease receivable, net is as follows:

	31 December 2007	31 December 2006
2008	-	15,480,559
2009	19,829,272	4,614,550
2010	11,125,390	607,320
2011	1,986,529	-
2012	53,607	-
<b>Total</b>	<b>32,994,798</b>	<b>20,702,429</b>

The interest rates of the financial lease contracts are fixed at 31 December 2007 and 2006. At 31 December 2007, the effective interest rate of minimum lease payments receivables denominated in USD is 9.82%, in EUR is 8.89%, in YTL is 25.59% (31 December 2006 - 10.27% for USD, 8.76% for EUR and 23.20% for YTL)

At 31 December 2007, the collaterals obtained from certain lease customers in relation to minimum lease payments receivables amounted to YTL 76,553,700.

The Company provides specific loss provision for its minimum financial lease receivables. Specific bad debt provision includes individually identified financial lease receivable balances of customers which may ultimately be uncollectible due to customers' inability to repay and/or shortfall in the realizable value of collaterals.

The movement of reserve for impaired financial lease receivables for the years ended 31 December are as follows:

	2007	2006
Reserve at the beginning of the year	1,290,352	1,332,287
Provision for impairment	--	211,142
Recoveries	(191,636)	(253,077)
Provision net of recoveries	(191,636)	(41,935)
<b>Reserve at the end of the year</b>	<b>1,098,716</b>	<b>1,290,352</b>

Movements in the reserve for impairment for overdue lease receivables arising from capital leasing services are as follows:

**Movements in the reserve for impairment**

Reserve at the beginning of the year	764,763	546,863
Provision for impairment	50,562	217,900
Recoveries	(92,518)	-
Provision net of recoveries	(41,956)	217,900
Reserve at the end of the year	<b>722,807</b>	<b>764,763</b>
<b>TOTAL</b>	<b>1,821,523</b>	<b>2,055,115</b>

**Tekstil Finansal Kiralama Anonim Şirketi**  
Notes to the financial statements  
As of and for the year ended 31 December 2007  
(Currency: New Turkish Lira (“YTL”))

**8. Tangible Assets**

For the years ended 31 December 2007 and 2006, movements of tangible assets are as follows:

	<b>Vehicles</b>	<b>Equipment and Furniture</b>	<b>Leasehold Improvements</b>	<b>Total</b>
At 1 January 2007, net of accumulated depreciation	100,771	8,531	-	109,302
Additions	-	21,612	-	21,612
Disposals	-	-	-	-
Depreciation charge for the year	(37,294)	(4,682)	-	(41,976)
<b>At 31 December 2007</b>	<b>63,477</b>	<b>25,461</b>	<b>-</b>	<b>88,938</b>
At 31 December 2006				
Cost	332,573	1,302,825	154,989	1,790,387
Accumulated depreciation	(231,802)	(1,294,294)	(154,989)	(1,681,085)
<b>Net carrying amount</b>	<b>100,771</b>	<b>8,531</b>	<b>-</b>	<b>109,302</b>
At 31 December 2007				
Cost	332,573	1,324,437	154,989	1,811,999
Accumulated depreciation	(269,096)	(1,298,976)	(154,989)	(1,723,061)
<b>Net carrying amount</b>	<b>63,477</b>	<b>25,461</b>	<b>-</b>	<b>88,938</b>
	<b>Vehicles</b>	<b>Equipment and Furniture</b>	<b>Leasehold Improvements</b>	<b>Total</b>
At 1 January 2006, net of accumulated depreciation	143,305	5,348	32,291	180,944
Additions	-	4,954	-	4,954
Disposals	(3,756)	(56)	(3)	(3,815)
Depreciation charge for the year	(38,778)	(1,715)	(32,288)	(72,781)
<b>At 31 December 2006</b>	<b>100,771</b>	<b>8,531</b>	<b>-</b>	<b>109,302</b>
At 31 December 2005				
Cost	346,627	1,356,614	162,027	1,865,268
Accumulated depreciation	(203,322)	(1,351,266)	(129,736)	(1,684,324)
<b>Net carrying amount</b>	<b>143,305</b>	<b>5,348</b>	<b>32,291</b>	<b>180,944</b>
At 31 December 2006				
Cost	332,573	1,302,825	154,989	1,790,387
Accumulated depreciation	(231,802)	(1,294,294)	(154,989)	(1,681,085)
<b>Net carrying amount</b>	<b>100,771</b>	<b>8,531</b>	<b>-</b>	<b>109,302</b>

**Tekstil Finansal Kiralama Anonim Şirketi**  
Notes to the financial statements  
As of and for the year ended 31 December 2007  
(Currency: New Turkish Lira (“YTL”))

**9. Intangible assets**

For the year ended 31 December 2007, movements of intangible assets are as follows:

	<b>Goodwill</b>	<b>Software</b>	<b>Total</b>
At 1 January 2007, net of accumulated amortization	-	36,001	36,001
Additions	-	-	-
Disposals	-	-	-
Amortization charge for the year	-	(6,498)	(6,498)
<b>At 31 December 2007</b>	<b>-</b>	<b>29,503</b>	<b>29,503</b>
At 31 December 2006			
Cost	-	482,920	482,920
Accumulated amortization	-	(446,919)	(446,919)
<b>Net carrying amount</b>	<b>-</b>	<b>36,001</b>	<b>36,001</b>
<b>At 31 December 2007</b>			
Cost	-	482,920	482,920
Accumulated amortization	-	(453,417)	(453,417)
<b>Net carrying amount</b>	<b>-</b>	<b>29,503</b>	<b>29,503</b>

For the year ended 31 December 2006, the movement in tangible assets is as follows:

	<b>Goodwill</b>	<b>Software</b>	<b>Total</b>
At 1 January 2006, net of accumulated amortization	-	61,883	61,883
Additions	-	-	-
Disposals	-	(1,842)	(1,842)
Amortization charge for the year	-	(24,040)	(24,040)
<b>At 31 December 2006</b>		<b>36,001</b>	<b>36,001</b>
At 31 December 2005			
Cost	400,630	504,845	905,475
Provision for impairment	(400,630)	-	(400,630)
Accumulated amortization	-	(442,962)	(442,962)
<b>Net carrying amount</b>	<b>-</b>	<b>61,883</b>	<b>61,883</b>
<b>At 31 December 2006</b>			
Cost	-	482,920	482,920
Accumulated amortization	-	(446,919)	(446,919)
<b>Net carrying amount</b>		<b>36,001</b>	<b>36,001</b>

**Tekstil Finansal Kiralama Anonim Şirketi**  
Notes to the financial statements  
As of and for the year ended 31 December 2007  
(Currency: New Turkish Lira (“YTL”))

**10. Other assets**

	31 December 2007	31 December 2006
Prepaid expenses	976,624	387,962
Advances given to suppliers	858,641	631,066
VAT receivable	760,482	373,691
Assets acquired for leasing transactions	706,946	-
Insurance receivables	168,296	129,761
Assets held for resale	79,856	101,609
Others	32,743	13,100
<b>Total</b>	<b>3,583,588</b>	<b>1,637,189</b>

Assets held for resale comprise land and buildings that are acquired from defaulted lease customers and are held for disposal through sale.

**11. Loans and borrowings**

		31 December 2007			31 December 2006		
		Original Amount	YTL Equivalent	Interest Rate (%)	Original Amount	YTL Equivalent	Interest Rate (%)
<b>Short-term</b>		<b>43,862,348</b>			<b>18,273,498</b>		
Fixed interest	YTL	28,315	28,315	-	966,569	1,789,602	4.80-5.00
	USD	7,712,277	8,982,431	5.40-6.88	4,097,406	5,759,313	6.43-7.20
	EUR	18,098,437	30,951,945	4.87-6.25	5,618,373	10,402,418	4.60-5.11
	CHF	3,651,505	3,751,190	2.81-2.90	-	-	-
Floating interest	EUR	86,812	148,467	Eurobor+0.50	174,002	322,165	Eurobor+0.50-0.63
<b>Medium/long –term</b>		<b>4,685,582</b>			<b>1,641,666</b>		
Fixed Interest	USD	1,758,048	2,047,598	6.40	1,000,000	1,405,600	6.88
	EUR	1,500,000	2,565,300	5.20-5.49	-	-	-
Floating interest	EUR	42,500	72,684	Eurobor+0.50	127,500	236,066	Eurobor+0.50
<b>Total</b>		<b>48,547,930</b>			<b>19,915,164</b>		

Repayments of medium/long-term funds borrowed are as follows:

	2007	2006
2008	-	1,562,978
2009	4,685,582	78,688
	<b>4,685,582</b>	<b>1,641,666</b>

**Tekstil Finansal Kiralama Anonim Şirketi**  
Notes to the financial statements  
As of and for the year ended 31 December 2007  
(Currency: New Turkish Lira (“YTL”))

**11. Loans and Borrowings** (continued)

At 31 December 2007, the parent company and related party banks of the Company have given guarantees amounting to YTL 42,214,254 (31 December 2006: YTL 25,325,326) and YTL 18,304,694 (31 December 2006: YTL 7,515,244), respectively, to the lending institutions against the loans obtained.

**12. Trade payables**

	31 December 2007	31 December 2006
Trade payables	1,690,155	2,536,708
Other trade payables	31,860	274,225
<b>Short-term trade payables</b>	<b>1,722,015</b>	<b>2,810,933</b>
<b>Long term trade payables</b>		<b>520,243</b>

At 31 December 2006, the effective interest rate of long-term trade payables, which are denominated in Euro, is 4.96%.

**13. Employee Benefits**

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 YTL 2,030.19 at 31 December 2007 (31 December 2006: YTL 1,857.44) 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.

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

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 2007 and 2006:

Inflation rate	5%
Discount rate	11%

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

	2007	2006
At 1 January	60,529	111,029
Arising during the year	9,752	-
Actuarial gain	(11,889)	(50,500)
<b>At 31 December</b>	<b>58,392</b>	<b>60,529</b>

## **Tekstil Finansal Kiralama Anonim Şirketi**

Notes to the financial statements

As of and for the year ended 31 December 2007

(Currency: New Turkish Lira (“YTL”))

### **13 Employee Benefits** *(continued)*

At 31 December 2007, provision for vacation pay liability in long-term liabilities is YTL 16,039 (31 December 2006: YTL 36,932).

At 31 December 2007, provision for bonus payments in short-term liabilities is YTL 56,578 (31 December 2006: nil).

At 31 December 2007, short-term provision amounting YTL 2,848 is composed of contribution rate expense accruals for GSD Yatırım Bankası A.Ş. (31 December 2006: YTL 29,104).

### **14. Taxation on income**

At 31 December 2007, corporate income tax is levied at the rate of 20% (31 December 2006: 20%) on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes. However this rate is 30% for the companies which choose to deduct their investment incentives from tax base until 31 December 2008.

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 15<sup>th</sup> and 30<sup>th</sup> articles of the Law no. 5520 on the Corporate Tax, has been refined 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 are settled in Turkey or generate income in Turkey via a business or a regular agent has been increased to 15% from 10%.

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 and paid in one instalment within the month of preparation of annual tax return.

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.

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

**Tekstil Finansal Kiralama Anonim Şirketi**

Notes to the financial statements

As of and for the year ended 31 December 2007

(Currency: New Turkish Lira ("YTL"))

**14 Taxation on income (continued)**

At 31 December 2007, the amount of tax losses and their years of occurrence are as follows:

<b>Year of occurrence</b>	<b>Amount</b>
2004	7,886,301
2005	4,009,207
2006	1,714,830
2007	3,268,782
<b>Total</b>	<b>16,879,120</b>

Under IAS 12, which deals with income taxes, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized and deferred tax assets should be reduced to the extent that it is no longer probable that the related tax benefit will be realized. Therefore, the deferred tax assets at 31 December 2007 and 2006 were fully provided due to the fact that the Company will not able to utilize deferred tax assets in the foreseeable future.

The Company's investment allowances related with capital expenditures are deductible from future taxable income for the years from 2007 through 2008. At 31 December 2007, total amount of investment allowance deductible from future taxable income amounts to YTL 86,711,713 (31 December 2006: YTL 81,305,410).

At 31 December 2007 and 2006, the Company has no income tax payable.

At 31 December 2007 and 2006, deferred taxes were calculated at the current effective tax rate of 30%.

At 31 December 2007, deferred tax assets amounting to YTL 18,958,798 (2006: YTL 19,149,895) were fully provided since the Company's principal tax rate on temporary differences is calculated as nil at 31 December 2007 and 2006.

The deductible and taxable temporary differences for which neither deferred tax asset nor deferred tax liability have been provided at 31 December are as follows:

	<b>Balance Sheet</b>	
	<b>2007</b>	<b>2006</b>
Unused tax credits of unutilized investment incentive allowances	14,162,781	13,313,153
Tax loss carried forward	5,063,736	4,083,101
Net transition effect of financial lease adjustment	(379,877)	1,654,285
Allowance for possible receivable losses	329,614	387,106
Employee benefits	39,354	29,237
Gain on forward transactions	(65,303)	(24,866)
Other	(191,507)	(292,121)
Less : Impairment	(18,958,798)	(19,149,895)
<b>Deferred tax assets, net</b>	<b>-</b>	<b>-</b>

**Tekstil Finansal Kiralama Anonim Şirketi**  
Notes to the financial statements  
As of and for the year ended 31 December 2007  
(Currency: New Turkish Lira (“YTL”))

**14 Taxation on income** (continued)

Reconciliation of taxes by applying the effective tax rates to profit before tax provision as reflected in the income statement for the years ended 31 December are as follows:

	2007	2006
Income from ordinary activities before income tax	4,262,808	3,877,830
At statutory income tax rate of 30%	1,278,842	1,163,349
Non taxable expenses	726,374	187,376
Tax exempt income	(327,944)	(116,625)
Unrecognized tax credits of unutilized investment incentive allowance	(849,628)	(663,773)
Unrecognized tax losses and temporary differences	(827,644)	(570,327)
	-	-

**15 Derivative financial instruments**

In the ordinary course of business, the Company enters into various types of transactions that involve derivative financial instruments. A derivative financial instrument is a financial contract between two parties where payments are dependent upon movements in price in one or more underlying financial instruments, reference rates or indices. Derivative financial instruments consist of forward purchase contracts.

The table below shows the favorable (assets) and unfavorable (liabilities) fair values of derivative financial instruments together with the notional amounts analyzed by the term to maturity. The notional amount is the amount of a derivative’s underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are neither indicative of the market risk nor credit risk.

The fair value and notional amounts of derivative financial instruments at 31 December 2007 are as follows:

	Fair Value Assets	Fair Value Liabilities	Notional amount in YTL equivalent	Up to 1 month	1 to 6 months
Forward sale	32,386	-	10,475,097	-	10,475,097
Forward sale	86,057	-	1,746,410	-	1,746,410
Forward sale	99,232	-	2,054,600	-	2,054,600
<b>Total</b>	<b>217,675</b>	<b>-</b>	<b>14,276,107</b>	<b>-</b>	<b>14,276,107</b>

The fair value and notional amounts of derivative financial instruments at 31 December 2006 are as follows:

	Fair Value Assets	Fair Value Liabilities	Notional amount in YTL equivalent	Up to 1 month	1 to 6 months
Forward sale	84,132	-	7,730,800	-	7,730,800
Forward sale	-	3,563	3,147,550	3,147,550	-
Forward sale	2,316	-	1,296,050	1,296,050	-
<b>Total</b>	<b>86,448</b>	<b>3,563</b>	<b>12,174,400</b>	<b>4,443,600</b>	<b>7,730,800</b>

## Tekstil Finansal Kiralama Anonim Şirketi

Notes to the financial statements

As of and for the year ended 31 December 2007

(Currency: New Turkish Lira (“YTL”))

### 16 Equity

#### i) Share capital

At 31 December 2007 and 2006, the statutory nominal value of authorized and paid-in share capital is YTL 17,000,000 comprising of 17,000,000 thousand registered shares having par value of Ykr. 0.1 nominal each. Adjustment to share capital represents the restatement effect of the contributions to share capital equivalent to purchasing power of YTL at 31 December 2006.

At 31 December, the shareholders and their respective percentages of ownership can be summarized as follows:

	2007		2006	
	Shares (%)	Nominal amount	Shares (%)	Nominal amount
GSD Holding A.Ş.	54.45	9,257,307	54.45	9,256,696
Publicly held.	45.54	7,741,418	45.54	7,741,418
Other	0.01	1,275	0.01	1,886
Nominal share capital	100.00	17,000,000	100.00	17,000,000
Adjustment to share capital		5,703,482		5,703,482
<b>Total paid-in share capital</b>		<b>22,703,482</b>		<b>22,703,482</b>

Each shareholder has voting rights equivalent to their number of shares. Shareholders hold A, B and D degree of shares have privilege to choose board of directors and shareholders hold A and B degree of shares have privilege to choose auditor.

#### ii) Legal Reserves

The legal reserves consist of first and second legal reserves in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of the statutory profits at the rate of 5%, until the total reserve reaches a maximum of 20% of the entity's share capital. The second legal reserve is appropriated at the rate of 10% of all distributions in excess of 5% of the entity's share capital. The first and second legal reserves are not available for distribution unless they exceed 50% of the share capital, but may be used to absorb losses in the event that the general reserve is exhausted. At 31 December 2007 and 2006, the Company's inflation adjusted (until 31 December 2004) legal reserves which were included within the legal reserves and accumulated profits balance amount to YTL 1,271,073.

### 17 Earnings per share

Basic earnings per share (“EPS”) are calculated by dividing the net profit for the year attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

In Turkey, companies can increase their share capital by making a prorata distribution of shares (“Bonus Shares”) to existing shareholders without consideration for amounts resolved to be transferred to share capital from retained earnings and revaluation surplus. For the purpose of the EPS calculation such Bonus Share distributions are regarded as stock dividends. Dividend payments, which are immediately reinvested in the shares of the Company, are regarded similarly. Accordingly, the weighted average number of shares used in EPS calculation is derived by giving retroactive effect of the issue of such shares without consideration through 31 December 2007.

**Tekstil Finansal Kiralama Anonim Şirketi**  
Notes to the financial statements  
As of and for the year ended 31 December 2007  
(Currency: New Turkish Lira ("YTL"))

**17 Earnings per share (continued)**

At 31 December the following reflects the income and share data used in the basic earnings per share computations;

	<b>2007</b>	<b>2006</b>
Net profit attributable to ordinary equity holders of the parent for basic earnings per share	4,262,808	3,877,830
Weighted average number of ordinary shares for basic earnings per share	17,000,000	17,000,000
Basic earnings per share (in full YTL)	0.25	0.23

**18 Related party disclosures**

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making the financial and operating decisions. The Company is controlled by GSD Holding which owns 54.45% of the Company's shares. For the purpose of these financial statements, the Parent Company, and their affiliated companies are referred to as "related parties". Related parties also include individuals that are principal owners, management and members of the Board of Directors and their families.

The following transactions have been entered into with related parties:

- (a) **Leasing transactions:** Minimum lease payments receivable balances and revenues from major lease transactions are as follows:

	<b>Minimum Lease Payments</b>		<b>Interest Income During the Year</b>		<b>Receivables from Lease Payments Outstanding</b>	
	<b>Receivable Balances, Net</b>	<b>Net</b>	<b>2007</b>	<b>2006</b>	<b>2007</b>	<b>2006</b>
GSD Holding (1)	17	35	-	13	-	-
GSD Dış Ticaret A.Ş. (3)	-	-	-	-	-	-
GSD Yatırım Bankası A.Ş. (3)	29	45	-	133	-	-
Tekstil Bankası A.Ş. (2)	1,785,791	614,459	146,195	71,599	-	-
Tekstil Factoring Hizmetleri A.Ş. (3)	-	-	-	-	-	-
Delta Deri ve Giyim Sanayii A.Ş. (2)	17	36	3	165	-	-
Birand Giyim Sanayi ve Ticaret A.Ş. (2)	-	1,106	-	186	-	-
Beyaz Saray İnşaat A.Ş. (2)	-	-	250	11,815	1	44
	<b>1,785,854</b>	<b>615,681</b>	<b>146,448</b>	<b>83,911</b>	<b>1</b>	<b>44</b>

- (1) Shareholder  
(2) Affiliated companies  
(3) Investments

**Tekstil Finansal Kiralama Anonim Şirketi**

Notes to the financial statements

As of and for the year ended 31 December 2007

(Currency: New Turkish Lira ("YTL"))

**18 Related party disclosures (continued)**

At 31 December 2007, the Company has not any receivable other than lease receivables from related parties (31 December 2006: YTL 9,920 from GSD Reklam ve Halkla İlişkiler AŞ).

At 31 December 2007, minimum lease payment receivables amounting to YTL 1,004,976 (31 December 2006 YTL: 474,141) represents short-term receivables and the remaining YTL 780,879 represents long-term receivables (31 December 2006: YTL 141,540).

**(b) Other Transactions and Balances:**

	31 December 2007	31 December 2006
Cash at banks	12,797,151	1,306,396
Loans and borrowings	1,752,998	1,789,602
Trade payables	26,835	223,041
Advances received	3,809	458

At 31 December 2007, the maturity of funds borrowed from related banks is August 2008 (31 December 2006: August and November 2007) and their interest rate is 5.85% (31 December 2006: 4.80% and 5.00%).

At 31 December 2007, the Company obtained letters of guarantee amounting to YTL 510,014 (31 December 2006: YTL 408,352) from related banks, YTL 139,429 (31 December 2006: YTL 139,429) of which is obtained from Tekstilbank A.Ş. and YTL 370,585 (31 December 2006: YTL 268,923) of which is obtained from GSD Yatırım Bankası A.Ş. and submitted to various public authorities and banks.

At 31 December, the parent company and related banks have given sureties amounting to YTL 60,518,948 (31 December 2006: YTL 32,840,570) against the loans obtained by the Company.

For the year ended 31 December 2007, included in marketing, general and administrative expenses, GSD Holding A.Ş. and GSD Yatırım Bankası A.Ş. charged a portion of the shared expenses to the Company in the amount of YTL 387,360 (2006: YTL 342,286) and YTL 176,449 (2006: YTL 185,919), respectively. At 31 December 2006, the Company has also paid rent expenses to GSD Holding A.Ş. in the amount of YTL 8,190.

For the year ended 31 December 2007, the Company realized forward expense amounting to YTL 32,118 and YTL 2,315,700 from Tekstilbank A.Ş. and GSD Yatırım Bankası A.Ş. (2006: YTL 7,740 and YTL 25,596), respectively. In 2007, the Company paid rent expense for M. Turgut Yılmaz amounting YTL 117,194 (2006: YTL 117,677).

In 2007, YTL 208,193 (2006: YTL 612,427) of insurance premium has been expensed, which were produced by GSD Reklam A.Ş.

**(c) Derivative financial instruments:** The Company has realized forward purchase transactions with a related bank in the aggregate amount of YTL 10,475,097 (2006: YTL 12,174,400).

**(d) Executive Member's Remuneration:** During 2007, the key management received salaries and bonuses totaling YTL 407,897 (2006: YTL 293,288).

**Tekstil Finansal Kiralama Anonim Şirketi**  
Notes to the financial statements  
As of and for the year ended 31 December 2007  
(Currency: New Turkish Lira (“YTL”))

**19 General and administrative expenses**

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

	<b>2007</b>	<b>2006</b>
Personnel costs	1,651,801	1,129,138
Insurance expenses	702,560	612,427
Service charges by related parties	626,192	528,205
Taxes and duties	288,601	201,781
Rent expenses	123,002	130,067
Depreciation and amortization expense	48,474	96,821
Service charges	85,520	88,331
Legal expenses	70,903	79,967
Others	353,665	226,879
<b>Total</b>	<b>3,950,718</b>	<b>3,093,616</b>

<i>Personnel Costs:</i>	<b>2007</b>	<b>2006</b>
Wages and salaries	1,318,605	944,403
Social security and other contributions	167,170	116,150
Other personnel related expenses	166,026	68,585
<b>Total</b>	<b>1,651,801</b>	<b>1,129,138</b>

The average number of employees in 2007 is 29 (2006: 19).

**20 Foreign exchange gain/(loss), net**

	<b>2007</b>	<b>2006</b>
Foreign exchange gain/(loss) from financial lease receivables	(5,041,426)	4,632,711
Foreign exchange gain /(loss) on funds borrowed, net	2,876,776	(2,024,241)
Foreign exchange loss on time deposits, net	(322,227)	(390,953)
<b>Foreign exchange gain/(loss), net</b>	<b>(2,486,877)</b>	<b>2,217,517</b>

**21 Other income/ (expense), net**

	<b>2007</b>	<b>2006</b>
Dividend income	313,410	-
Leased asset sales income	28,869	28,753
Insurance commission income	21,476	58,689
Miscellaneous (expense) income, net	315,229	23,655
<b>Total other income, net</b>	<b>678,984</b>	<b>111,097</b>

**Tekstil Finansal Kiralama Anonim Şirketi**

Notes to the financial statements

As of and for the year ended 31 December 2007

*(Currency: New Turkish Lira ("YTL"))***22 Commitments and contingencies****Litigation**

The Company has taken back the asset leased to a customer under the finance lease agreement dated 20 May 1998, and sold it to a third party, since it was unable to recover related receivables. However, the counterparty has rejected the related payable to the Company and has opened a lawsuit against the Company in the amount of YTL 350,000. The case is finalized in favor of the Company, but the counterparty has opened a law appeal. To finalize the case, the Supreme Court has waited for another continuing lawsuit, which is opened against the customer related with giving back the asset. This lawsuit has also finalized in favor of the Company. Then the customer and its sureties have opened two lawsuits against the Company separately, and these lawsuits have merged with the lawsuit of refusal of rejection opened by the Company. The mentioned customer and its sureties remised from their lawsuits opened against the Company and agreed the lawsuit of refusal of rejection has opened by the Company. Also the customer and its sureties gave an undertaking for the payment of USD 92,916. The amount undertaking by customer and its sureties has been paid in the related year by installments and the lawsuit has closed.

**Others**

At 31 December 2007, the Company obtained letters of guarantee amounting to YTL 510,014 (31 December 2006: YTL 408,352) and submitted to various public authorities and banks.

**Tekstil Finansal Kiralama Anonim Şirketi**  
Notes to the financial statements  
As of and for the year ended 31 December 2007  
(Currency: New Turkish Lira (“YTL”))

**23 Financial risk management**

*Foreign Currency Risk*

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

At 31 December, the Company’s foreign currency assets and liabilities may be analyzed as follows (TRY equivalents):

<b>31 December 2007</b>	<b>YTL</b>	<b>USD</b>	<b>EUR</b>	<b>YEN</b>	<b>CHF</b>	<b>GBP</b>	<b>Total</b>
Cash and cash equivalents	4,962,961	5,569,311	2,604,619	103,000	22	48	13,239,961
Investments	846,095	-	-	-	-	-	846,095
Minimum financial lease receivable, net	16,396,635	18,791,353	30,699,521	-	-	-	65,887,509
Tangible assets, net	88,938	-	-	-	-	-	88,938
Intangible assets, net	29,503	-	-	-	-	-	29,503
Other assets	2,751,974	109,482	722,132	-	-	-	3,583,588
Derivative financial instruments	32,386	-	-	-	185,289	-	217,675
<b>Total assets</b>	<b>25,108,492</b>	<b>24,470,146</b>	<b>34,026,272</b>	<b>103,000</b>	<b>185,311</b>	<b>48</b>	<b>83,893,269</b>
Loans and borrowings	28,315	11,030,029	33,738,396	-	3,751,190	-	48,547,930
Trade payables	980,365	31,310	673,882	5,814	-	-	1,691,371
Advances from customers	329,521	284,636	803,955	-	-	-	1,418,112
Other liabilities	153,254	-	-	-	-	-	153,254
Derivative financial instruments	-	-	-	-	-	-	-
Employee benefits	74,431	-	-	-	-	-	74,431
<b>Total liability</b>	<b>1,565,886</b>	<b>11,345,975</b>	<b>35,216,233</b>	<b>5,814</b>	<b>3,751,190</b>	<b>-</b>	<b>51,885,098</b>
<b>Net on-balance sheet position</b>	<b>23,542,606</b>	<b>13,124,171</b>	<b>(1,189,961)</b>	<b>97,186</b>	<b>(3,565,879)</b>	<b>48</b>	<b>32,008,171</b>
<b>Off balance sheet position</b>	<b>10,475,097</b>	<b>(14,276,107)</b>	<b>-</b>	<b>-</b>	<b>3,801,010</b>	<b>-</b>	<b>-</b>

**Tekstil Finansal Kiralama Anonim Şirketi**  
Notes to the financial statements  
As of and for the year ended 31 December 2007  
(Currency: New Turkish Lira (“YTL”))

**23 Financial risk management (continued)**

<b>31 December 2006</b>	<b>YTL</b>	<b>USD</b>	<b>EUR</b>	<b>YEN</b>	<b>CHF</b>	<b>GBP</b>	<b>Total</b>
Cash and cash equivalents	1,162,946	150,211	234,020	-	24	2	1,547,203
Investments	843,976	-	-	-	-	-	843,976
Minimum financial lease receivable, net	8,237,636	15,955,241	23,546,995	-	-	-	47,739,872
Tangible assets, net	109,302	-	-	-	-	-	109,302
Intangible assets, net	36,001	-	-	-	-	-	36,001
Other assets	1,108,833	11,944	233,284	283,128	-	-	1,637,189
Derivative financial instruments	-	86,448	-	-	-	-	86,448
<b>Total assets</b>	<b>11,498,694</b>	<b>16,203,844</b>	<b>24,014,299</b>	<b>283,128</b>	<b>24</b>	<b>2</b>	<b>51,999,991</b>
Loans and borrowings	-	7,164,913	12,750,251	-	-	-	19,915,164
Trade payables	274,037	188	3,056,951	-	-	-	3,331,176
Advances from customers	198,609	389,825	226,131	-	23	-	814,588
Other liabilities	92,676	-	-	-	-	-	92,676
Derivative financial instruments	3,563	-	-	-	-	-	3,563
Employee benefits	97,461	-	-	-	-	-	97,461
<b>Total liability</b>	<b>666,346</b>	<b>7,554,926</b>	<b>16,033,333</b>	<b>-</b>	<b>23</b>	<b>-</b>	<b>24,254,628</b>
<b>Net on-balance sheet position</b>	<b>10,832,348</b>	<b>8,648,918</b>	<b>7,980,966</b>	<b>283,128</b>	<b>1</b>	<b>2</b>	<b>27,745,363</b>
<b>Off balance sheet position</b>	<b>7,730,800</b>	<b>(3,287,200)</b>	<b>(4,443,600)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

*Sensitivity analysis:*

A 10 percent weakening of the TRY against the following currencies at 31 December 2007 would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remained constant. The analysis is performed on the same basis for 31 December 2006.

	<b>31 December 2007</b>		<b>31 December 2006</b>	
	<b>Income Statement</b>	<b>Shareholders' Equity (*)</b>	<b>Income Statement</b>	<b>Shareholders' Equity (*)</b>
USD	(115,194)	(115,194)	536,172	536,172
Euro	(118,896)	(118,896)	353,737	353,737
Other currencies	33,237	33,237	28,313	28,313
<b>Total, net</b>	<b>(200,853)</b>	<b>(200,853)</b>	<b>918,222</b>	<b>918,222</b>

(\*) Shareholders' equity effect also includes income statement effects.

A 10 percent strengthening of the TRY against the above currencies at 31 December 2007 would have had the equal but the opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

**Tekstil Finansal Kiralama Anonim Şirketi**

Notes to the financial statements

As of and for the year ended 31 December 2007

(Currency: New Turkish Lira ("YTL"))

**23 Financial risk management (continued)***Credit Risk*

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

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

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

At 31 December, the concentration of the net investments in finance leases to industry groups is as follows:

	2007	2006
Construction	24,536,508	14,369,701
Mining metal, and chemical industry	14,416,187	13,395,808
Textile industry	6,430,621	5,184,550
Health and social services	2,385,128	2,138,746
Transportation	4,229,978	2,071,910
Food and beverage	2,114,989	1,384,456
Financial institutions	1,634,010	577,652
Tourism	171,308	233,925
Other	9,968,780	8,383,124
<b>Total</b>	<b>65,887,509</b>	<b>47,739,872</b>

At 31 December 2007, YTL 653,692 (31 December 2006: YTL 693,123) of the finance lease receivables where contractual interest or principal payments are past due but the Company management believes that impairment is not appropriate on the basis of the level of security / collateral available and / or the stage of collection of amounts owed to the Company.

The aging of the overdue portions of finance lease receivables are as follows:

	2007	2006
<b>Finance lease receivables that are past due but not impaired</b>		
Between 30-60 days	548,114	567,544
Between 61-90 days	56,103	62,024
Between 91-180 days	45,022	54,501
Over 180 days	4,453	9,054
<b>Total</b>	<b>653,692</b>	<b>693,123</b>

**Tekstil Finansal Kiralama Anonim Şirketi**  
Notes to the financial statements  
As of and for the year ended 31 December 2007  
(Currency: New Turkish Lira (“YTL”))

**23 Financial risk management** (continued)

*Credit Risk* (continued)

The collaterals obtained for the finance lease receivables at 31 December are as follows:

	<b>2007</b>
Promissory notes	63,568,222
Mortgages	11,229,607
Cheques	958,239
Cash blockages	100,392
Letter of guarantees	345,979
Pledges on deposits	151,261
<b>Total</b>	<b>76,353,700</b>

*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. In the case of floating rate assets and liabilities, the Company is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices, such as six months Libor and different types of interest. Risk management activities are aimed at optimizing net interest income, given market interest rate levels consistent with the Company’s business strategies.

A change of 100 basis points in interest rates at 31 December 2007 would have increased or decreased the fair value of the net of the fixed rate interest earning assets and interest bearing liabilities by YTL 133,341 (31 December 2006: YTL 37,265).

**Tekstil Finansal Kiralama Anonim Şirketi**  
Notes to the financial statements  
As of and for the year ended 31 December 2007  
(Currency: New Turkish Lira (“YTL”))

**23 Financial risk management** (continued)

*Interest Rate Risk* (continued)

Interest rate risk arises from the possibility that changes in interest rates will affect the value or future cash flows of financial instruments. 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 reprice at different times or in differing amounts. The Company does not have repricing assets and liabilities.

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

	Up to 1 Month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Non- interest bearing	Total
<b>At 31 December 2007</b>							
<b>Assets</b>							
Cash and cash equivalents	12,656,902	-	-	-	-	583,059	13,239,961
Investments	-	-	-	-	-	846,095	846,095
Minimum lease payments receivable, net	3,861,538	6,176,713	8,257,712	14,596,748	32,994,798	-	65,887,509
Derivative financial instruments	-	-	217,675	-	-	-	217,675
Tangible assets, net	-	-	-	-	-	88,938	88,938
Intangible assets, net	-	-	-	-	-	29,503	29,503
Other assets	-	-	-	-	-	3,583,588	3,583,588
<b>Total assets</b>	<b>16,518,440</b>	<b>6,176,713</b>	<b>8,475,387</b>	<b>14,596,748</b>	<b>32,994,798</b>	<b>5,131,183</b>	<b>83,893,269</b>
<b>Liabilities</b>							
Loans and borrowings	963,454	1,871,137	4,549,414	36,478,343	4,685,582	-	48,547,930
Trade payables	-	-	-	-	-	1,718,206	1,718,206
Derivative financial instruments	-	-	-	-	-	-	-
Employee benefits	-	-	-	-	-	74,431	74,431
Advances from customers	-	-	-	-	-	1,421,921	1,421,921
Other liabilities	-	-	-	-	-	122,610	122,610
<b>Total liabilities</b>	<b>963,454</b>	<b>1,871,137</b>	<b>4,549,414</b>	<b>36,478,343</b>	<b>4,685,582</b>	<b>3,337,168</b>	<b>51,885,098</b>
<b>On-balance sheet interest sensitivity gap</b>	<b>15,554,986</b>	<b>4,305,576</b>	<b>3,925,973</b>	<b>(21,881,595)</b>	<b>28,309,216</b>	<b>1,794,015</b>	

**Tekstil Finansal Kiralama Anonim Şirketi**  
Notes to the financial statements  
As of and for the year ended 31 December 2007  
(Currency: New Turkish Lira (“YTL”))

**23 Financial risk management (continued)**

	Up to 1 Month	1 to 3 months	3 to 6 months	6 to 12 months	1 to 5 years	Non- interest bearing	Total
<b>At 31 December 2006</b>							
<b>Assets</b>							
Cash and cash equivalents	1,206,268	-	-	-	-	340,935	1,547,203
Investments	-	-	-	-	-	843,976	843,976
Minimum lease payments receivable, net	3,196,380	5,647,829	6,571,897	11,621,337	20,702,429	-	47,739,872
Derivative financial instruments	2,316	-	84,132	-	-	-	86,448
Tangible assets, net	-	-	-	-	-	109,302	109,302
Intangible assets, net	-	-	-	-	-	36,001	36,001
Other assets	-	-	-	-	-	1,637,189	1,637,189
<b>Total assets</b>	<b>4,404,964</b>	<b>5,647,829</b>	<b>6,656,029</b>	<b>11,621,337</b>	<b>20,702,429</b>	<b>2,967,403</b>	<b>51,999,991</b>
<b>Liabilities</b>							
Funds borrowed	1,902,995	2,103,180	4,858,027	9,409,296	1,641,666	-	19,915,164
Trade payables	185,424	795,773	23,094	1,806,642	520,243	-	3,331,176
Derivative financial instruments	3,563	-	-	-	-	-	3,563
Employee benefits	-	-	-	-	-	97,461	97,461
Advances from customers	-	-	-	-	-	814,588	814,588
Other liabilities and provisions	-	-	-	-	-	92,676	92,676
<b>Total liabilities</b>	<b>2,091,982</b>	<b>2,898,953</b>	<b>4,881,121</b>	<b>11,215,938</b>	<b>2,161,909</b>	<b>1,004,725</b>	<b>24,254,628</b>
<b>On-balance sheet interest sensitivity gap</b>	<b>2,312,982</b>	<b>2,748,876</b>	<b>1,774,908</b>	<b>405,399</b>	<b>18,540,520</b>	<b>1,962,678</b>	

**Liquidity Risk**

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

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

**Tekstil Finansal Kiralama Anonim Şirketi**  
Notes to the financial statements  
As of and for the year ended 31 December 2007  
(Currency: New Turkish Lira (“YTL”))

**23 Financial risk management** (continued)

At 31 December, the contractual maturities of financial liabilities as follow:

	<b>Book Value</b>	<b>Gross nominal disposal</b>	<b>Non interest bearing</b>	<b>Up to 1 month</b>	<b>1 to 3 month</b>	<b>3 to 12 month</b>	<b>Over 1 year</b>
<b>31 December 2007</b>							
Financial Liabilities	48,547,930	50,668,403	--	968,701	1,981,871	42,847,723	4,870,108
Trade Payables	1,691,371	1,691,371	--	481,408	556,586	653,377	--
Advances Received	1,418,112	1,418,112	--	1,418,112	--	--	--
<b>Total</b>	<b>51,657,413</b>	<b>53,777,886</b>	<b>--</b>	<b>2,868,221</b>	<b>2,538,457</b>	<b>43,501,100</b>	<b>4,870,108</b>
	<b>Book Value</b>	<b>Gross nominal disposal</b>	<b>Non interest bearing</b>	<b>Up to 1 month</b>	<b>1 to 3 month</b>	<b>3 to 12 month</b>	<b>Over 1 year</b>
<b>31 December 2006</b>							
Financial Liabilities	19,915,164	20,523,974	--	1,907,045	2,138,464	14,779,004	1,699,461
Trade Payables	3,107,677	3,199,996	--	50,726	745,273	1,852,294	551,703
Advances Received	814,588	814,588	--	814,588	--	--	--
<b>Total</b>	<b>23,837,429</b>	<b>24,538,558</b>	<b>--</b>	<b>2,772,359</b>	<b>2,883,737</b>	<b>16,631,298</b>	<b>2,251,164</b>

The table above presents the gross amount of the undiscounted cash flows of the financial liabilities as of possible closest maturity date. Based on this analysis, the maturities of the expected cash outflows from these liabilities vary significantly.

**Tekstil Finansal Kiralama Anonim Şirketi**  
Notes to the financial statements  
As of and for the year ended 31 December 2007  
(Currency: New Turkish Lira (“YTL”))

**23 Financial risk management (continued)**

The table below analyses assets and liabilities of the Company into relevant maturity groupings based on the remaining period at balance sheet date to contractual maturity date at 31 December 2007 and 2006.

	<b>Up to 1 Month</b>	<b>1 to 3 months</b>	<b>3 to 6 months</b>	<b>6 to 12 months</b>	<b>Over 1 Year</b>	<b>Total</b>
<b>At 31 December 2007</b>						
<b>Assets</b>						
Cash and cash equivalents	13,239,961	-	-	-	-	13,239,961
Investments	-	-	-	-	846,095	846,095
Minimum lease payments receivable, net	3,861,538	6,176,713	8,257,712	14,596,748	32,994,798	65,887,509
Derivative financial instruments	-	-	217,675	-	-	217,675
Tangible assets, net	-	-	-	-	88,938	88,938
Intangible assets, net	-	-	-	-	29,503	29,503
Other assets	2,692,514	338,044	-	216,572	336,458	3,583,588
<b>Total assets</b>	<b>19,794,013</b>	<b>6,514,757</b>	<b>8,475,387</b>	<b>14,813,320</b>	<b>34,295,792</b>	<b>83,893,269</b>
<b>Liabilities</b>						
Loans and borrowings	963,454	1,871,137	4,549,414	36,478,343	4,685,582	48,547,930
Trade payables	508,243	556,586	224,479	428,898	-	1,718,206
Derivative financial instruments	-	-	-	-	-	-
Employee benefits	-	-	-	-	74,431	74,431
Advances from customers	1,421,921	-	-	-	-	1,421,921
Other liabilities	122,610	-	-	-	-	122,610
<b>Total liabilities</b>	<b>3,016,228</b>	<b>2,427,723</b>	<b>4,773,893</b>	<b>36,907,241</b>	<b>4,760,013</b>	<b>51,885,098</b>
<b>On-balance sheet interest sensitivity gap</b>	<b>16,777,785</b>	<b>4,087,034</b>	<b>3,701,494</b>	<b>(22,093,921)</b>	<b>29,535,779</b>	<b>32,008,171</b>

**Tekstil Finansal Kiralama Anonim Şirketi**  
Notes to the financial statements  
As of and for the year ended 31 December 2007  
(Currency: New Turkish Lira (“YTL”))

**23 Financial risk management (continued)**

	Up to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	Total
<b>At 31 December 2006</b>						
<b>Assets</b>						
Cash and cash equivalents	1,547,203	-	-	-	-	1,547,203
Investments	-	-	-	-	843,976	843,976
Minimum lease payments receivable, net	3,196,380	5,647,829	6,571,897	11,621,337	20,702,429	47,739,872
Derivative financial instruments	2,316	-	84,132	-	-	86,448
Tangible assets, net	-	-	-	-	109,302	109,302
Intangible assets, net	-	-	-	-	36,001	36,001
Other assets	1,391,529	106,686	37,300	94,137	7,537	1,637,189
<b>Total assets</b>	<b>6,137,428</b>	<b>5,754,515</b>	<b>6,693,329</b>	<b>11,715,474</b>	<b>21,699,245</b>	<b>51,999,991</b>
<b>Liabilities</b>						
Loans and borrowings	1,902,995	2,103,180	4,858,027	9,409,296	1,641,666	19,915,164
Trade payables	185,424	795,773	23,094	1,806,642	520,243	3,331,176
Derivative financial instruments	3,563	-	-	-	-	3,563
Employee benefits	-	-	-	-	97,461	97,461
Advances from customers	814,588	-	-	-	-	814,588
Other liabilities	92,676	-	-	-	-	92,676
<b>Total liabilities</b>	<b>2,999,246</b>	<b>2,898,953</b>	<b>4,881,121</b>	<b>11,215,938</b>	<b>2,259,370</b>	<b>24,254,628</b>
<b>On-balance sheet interest sensitivity gap</b>	<b>3,138,182</b>	<b>2,855,562</b>	<b>1,812,208</b>	<b>499,536</b>	<b>19,439,875</b>	<b>27,745,363</b>

**Tekstil Finansal Kiralama Anonim Şirketi**

Notes to the financial statements

As of and for the year ended 31 December 2007

(Currency: New Turkish Lira (“YTL”))

**24 Subsequent events**

According to the fifth clause of the first paragraph of the bulletin Serial IV No:27 “Dividend and Dividend Advance Distribution Rudiments by Publicly Held Incorporated Companies Subjected to Capital Market Board” minimum profit distribution rate of publicly held incorporated companies will be implemented as 20% at 1 January 2008 in accordance with the new arrangements of Capital Market Board on profit distribution.

VAT advantage on financial lease transactions has been cancelled at 1 January 2008 in accordance with the cabinet decision issued in the Official Gazette numbered 26742 and dated 30 December 2007. By new decision, the subjected VAT percentage of the asset will be applied to the assets acquired for leasing transactions.