

**İş Factoring Finansman Hizmetleri
Anonim Şirketi**

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

*(Convenience Translation of Financial Statements and Related
Disclosures and Footnotes Originally Issued in Turkish, See Note 2.1)*

Akis Bağımsız Denetim ve Serbest Muhasebeci
Mali Müşavirlik Anonim Şirketi

6 March 2013

This report contains the "Independent Auditors' Report"
comprising 2 pages and the "Financial Statements and
Notes to the Financial Statements" comprising 50 pages.

(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)

İŞ FACTORING FİNANSMAN HİZMETLERİ ANONİM ŞİRKETİ

FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

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Convenience Translation of the Auditors' Report
Originally Prepared and Issued in Turkish (See Note 2.1)

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
İş Factoring Finansman Hizmetleri Anonim Şirketi

We have audited the accompanying balance sheet of İş Factoring Finansman Hizmetleri Anonim Şirketi ("the Company") as at 31 December 2012, and the related statement of income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Disclosure for the Responsibility of the Company's Board of Directors

The Board of Directors of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with "The Communiqué on Uniform Chart of Accounts to be implemented by Financial Leasing, Factoring and Financing Companies and its Explanation as well as the Form and Scope of Financial Statements to be announced to Public" published in the Official Gazette dated 17 May 2007 and numbered 26525, Turkish Accounting Standards, Turkish Financial Reporting Standards and other regulations, communiqués, and circulars announced by the Banking Regulation and Supervision Agency ("BRSA") in respect of accounting and financial reporting. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Disclosure for the Responsibility of the Authorized Audit Firm

Our responsibility, as independent auditors, is to express an opinion on these financial statements based on our audit. Our audit is performed in accordance with the "Regulation on Authorization and Activities of Institutions to Perform External Audit in Banks" published on the Official Gazette no 26333 dated 1 November 2006 and International Standards on Auditing. We planned and conducted our audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes using the audit techniques for the purpose of obtaining evidence supporting the amounts and disclosures in the financial statements. The selection of the audit techniques is made in accordance with our professional judgment by taking the effectiveness of the controls over financial reporting into consideration and assessing the appropriateness of the applied accounting policies. However, our object is to set forth the relationship between the financial statements prepared by the Company management and the internal control system to design audit techniques according to conditions, rather than expressing an opinion about effectiveness of the internal control. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of İş Factoring Finansman Hizmetleri Anonim Şirketi as at 31 December 2012 and the results of its operations and cash flows for the year then ended in accordance with the communiqués, regulations and circulars issued by the BRSA regarding accounting and financial reporting (see *Note 2.1*).

Istanbul,
6 March 2013

Akis Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik AŞ

Orhan Akova
Partner

Additional paragraph for convenience translation to English

As explained in Note 2.1, the accompanying financial statements are not intended to present the financial position and results in accordance with the accounting principles and practices generally accepted in countries and jurisdictions other than Turkey.

**(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES
AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)**

İŞ FACTORING FİNANSMAN HİZMETLERİ ANONİM ŞİRKETİ

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS AT 31 DECEMBER 2012

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

BALANCE SHEET - ASSETS		Notes	Audited Current Period 31 December 2012			Audited Prior Period 31 December 2011		
			TRY	FC	TOTAL	TRY	FC	TOTAL
I.	CASH		-	-	-	-	-	-
II.	FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Net)	4	14	21	35	769	-	769
2.1	Financial Assets Held for Trading		14	-	14	769	-	769
2.2	Financial Assets at Fair Value Through Profit or Loss		-	-	-	-	-	-
2.3	Derivative Financial Assets Held for Trading		-	21	21	-	-	-
III.	BANKS	5	393	10.443	10.836	303	14.995	15.298
IV.	RECEIVABLES FROM REVERSE REPURCHASE AGREEMENTS		-	-	-	-	-	-
V.	FINANCIAL ASSETS AVAILABLE FOR SALE (Net)	6	13.612	-	13.612	10.683	-	10.683
VI.	FACTORING RECEIVABLES	7	987.008	27.936	1.014.944	401.882	2.771	404.653
6.1	Discounted Factoring Receivables		274.184	-	274.184	189.166	-	189.166
6.1.1	Domestic		278.954	-	278.954	193.296	-	193.296
6.1.2	Foreign		-	-	-	-	-	-
6.1.3	Unearned Income (-)		(4.770)	-	(4.770)	(4.130)	-	(4.130)
6.2	Other Factoring Receivables		712.824	27.936	740.760	212.716	2.771	215.487
6.2.1	Domestic		712.824	-	712.824	212.716	-	212.716
6.2.2	Foreign		-	27.936	27.936	-	2.771	2.771
VII.	NON-PERFORMING RECEIVABLES		-	-	-	-	-	-
7.1	Non-Performing Factoring Receivables	7	10.902	-	10.902	2.603	-	2.603
7.2	Non-Performing Financing Loans		-	-	-	-	-	-
7.3	Non-Performing Lease Receivables		-	-	-	-	-	-
7.4	Specific Provisions (-)		(10.902)	-	(10.902)	(2.603)	-	(2.603)
VIII.	DERIVATIVE FINANCIAL ASSETS HELD FOR RISK MANAGEMENT		-	-	-	-	-	-
8.1	Fair Value Hedges		-	-	-	-	-	-
8.2	Cash Flow Hedges		-	-	-	-	-	-
8.3	Net Foreign Investment Hedges		-	-	-	-	-	-
IX.	INVESTMENTS HELD TO MATURITY (Net)		-	-	-	-	-	-
X.	INVESTMENT IN SUBSIDIARIES (Net)		-	-	-	-	-	-
XI.	INVESTMENT IN ASSOCIATES (Net)		-	-	-	-	-	-
XII.	INVESTMENT IN JOINT VENTURES (Net)		-	-	-	-	-	-
XIII.	TANGIBLE ASSETS (Net)	9	403	-	403	525	-	525
XIV.	INTANGIBLE ASSETS (Net)	10	227	-	227	148	-	148
14.1	Goodwill		-	-	-	-	-	-
14.2	Other Intangibles		227	-	227	148	-	148
XV.	DEFERRED TAX ASSETS	11	1.042	-	1.042	82	-	82
XVI.	ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS (Net)		-	-	-	-	-	-
16.1	Assets Held For Sale		-	-	-	-	-	-
16.2	Assets of Discontinued Operations		-	-	-	-	-	-
XVII.	OTHER ASSETS	12	161	-	161	151	104	255
TOTAL ASSETS			1.002.860	38.400	1.041.260	414.543	17.870	432.413

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

**(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES
AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)**

İŞ FACTORING FİNANSMAN HİZMETLERİ ANONİM ŞİRKETİ

BALANCE SHEET (STATEMENT OF FINANCIAL POSITION) AS AT 31 DECEMBER 2012

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

	BALANCE SHEET - LIABILITIES	Notes	Audited Current Period 31 December 2012			Audited Prior Period 31 December 2011		
			TRY	FC	TOTAL	TRY	FC	TOTAL
I.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR TRADING	4	-	7	7	-	-	-
II.	FUNDS BORROWED	13	893.948	84.843	978.791	312.322	65.429	377.751
III.	FACTORING PAYABLES	7	54	73	127	-	21	21
IV.	SECURITIES ISSUED (Net)		-	-	-	-	-	-
4.1	Bills		-	-	-	-	-	-
4.2	Asset-Backed Securities		-	-	-	-	-	-
4.3	Bonds		-	-	-	-	-	-
V.	MISCELLANEOUS PAYABLES	14	300	40	340	208	69	277
VI.	OTHER LIABILITIES		-	-	-	-	-	-
VII.	DERIVATIVE FINANCIAL LIABILITIES HELD FOR RISK MANAGEMENT		-	-	-	-	-	-
7.1	Fair Value Hedges		-	-	-	-	-	-
7.2	Cash Flow Hedges		-	-	-	-	-	-
7.3	Net Foreign Investment Hedges		-	-	-	-	-	-
VIII.	TAXES AND DUTIES PAYABLE	15	1.727	-	1.727	985	-	985
IX.	PROVISIONS		545	-	545	406	-	406
9.1	Restructuring Reserves		-	-	-	-	-	-
9.2	Reserve For Employee Benefits	16	545	-	545	406	-	406
9.3	Other Provisions		-	-	-	-	-	-
X.	DEFERRED TAX LIABILITY		-	-	-	-	-	-
XI.	PAYABLES RELATED TO ASSETS FOR SALE AND DISCONTINUED OPERATIONS		-	-	-	-	-	-
11.1	Held For Sale		-	-	-	-	-	-
11.2	Discontinued Operations		-	-	-	-	-	-
XII.	SUBORDINATED LOANS		-	-	-	-	-	-
XIII.	SHAREHOLDERS' EQUITY		59.723	-	59.723	52.973	-	52.973
13.1	Paid-in Capital	17	16.000	-	16.000	16.000	-	16.000
13.2	Capital Reserves	17	9.931	-	9.931	7.755	-	7.755
13.2.1	Share Premium		-	-	-	-	-	-
13.2.2	Share Cancellation Profits		-	-	-	-	-	-
13.2.3	Securities Value Increase Fund		4.654	-	4.654	2.478	-	2.478
13.2.4	Revaluation Surplus on Tangible and Intangible Assets		-	-	-	-	-	-
13.2.5	Bonus Shares Obtained from Associates, Subsidiaries and Jointly Controlled Entities		1.213	-	1.213	1.213	-	1.213
13.2.6	Hedging Reserves (Effective Portion)		-	-	-	-	-	-
13.2.7	Revaluation Surplus on Assets Held for Sale and Discontinued Operations		-	-	-	-	-	-
13.2.8	Other Capital Reserves		4.064	-	4.064	4.064	-	4.064
13.3	Profit Reserves	18	28.664	-	28.664	20.982	-	20.982
13.3.1	Legal Reserves		1.711	-	1.711	1.299	-	1.299
13.3.2	Statutory Reserves		-	-	-	-	-	-
13.3.3	Extraordinary Reserves		26.953	-	26.953	19.683	-	19.683
13.3.4	Other Profit Reserves		-	-	-	-	-	-
13.4	Profit or Loss		5.128	-	5.128	8.236	-	8.236
13.4.1	Prior Periods Profit/Loss		554	-	554	-	-	-
13.4.2	Current Period Profit/Loss		4.574	-	4.574	8.236	-	8.236
	TOTAL LIABILITIES AND EQUITY		956.297	84.963	1.041.260	366.894	65.519	432.413

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

(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)

İŞ FACTORING FİNANSMAN HİZMETLERİ ANONİM ŞİRKETİ

OFF-BALANCE SHEET ITEMS AS AT 31 DECEMBER 2012

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

	STATEMENT OF OFF-BALANCE SHEET ITEMS	Notes	Audited Current Period 31 December 2012			Audited Prior Period 31 December 2011		
			TRY	FC	TOTAL	TRY	FC	TOTAL
I.	IRREVOCABLE FACTORING TRANSACTIONS		69.042	18.083	87.125	39.672	4.168	43.840
II.	REVOCABLE FACTORING TRANSACTIONS		40.259	12.680	52.939	25.017	95	25.112
III.	COLLATERALS RECEIVED		26.555	470	27.025	27.995	489	28.484
IV.	COLLATERALS GIVEN	19	1.505	-	1.505	241	-	241
V.	COMMITMENTS		500	-	500	-	-	-
5.1	Irrevocable Commitments		500	-	500	-	-	-
5.2	Revocable Commitments		-	-	-	-	-	-
5.2.1	Lease Commitments		-	-	-	-	-	-
5.2.1.1	Finance Lease Commitments		-	-	-	-	-	-
5.2.1.2	Operational Lease Commitments		-	-	-	-	-	-
5.2.2	Other Revocable Commitments		-	-	-	-	-	-
VI.	DERIVATIVE FINANCIAL INSTRUMENTS	19	1.960	1.929	3.889	-	-	-
6.1	Derivative Financial Instruments for Risk Management		-	-	-	-	-	-
6.1.1	Fair Value Hedges		-	-	-	-	-	-
6.1.2	Cash Flow Hedges		-	-	-	-	-	-
6.1.3	Net Foreign Investment Hedges		-	-	-	-	-	-
6.2	Derivative Financial Instruments Held For Trading		-	-	-	-	-	-
6.2.1	Forward Purchases/Sales		1.960	1.929	3.889	-	-	-
6.2.2	Swap Purchases/Sales		-	-	-	-	-	-
6.2.3	Currency, Interest Rate and Security Options		-	-	-	-	-	-
6.2.4	Futures Purchases/Sales		-	-	-	-	-	-
6.2.5	Others		-	-	-	-	-	-
VII.	ITEMS HELD IN CUSTODY		516.647	74.458	591.105	365.290	17.385	382.675
	TOTAL OFF-BALANCE SHEET ITEMS		656.468	107.620	764.088	458.215	22.137	480.352

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

(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)

İŞ FACTORING FİNANSMAN HİZMETLERİ ANONİM ŞİRKETİ

INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2012

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

	INCOME STATEMENT	Notes	Audited	
			Current Period 1 January – 31 December 2012	Prior Period 1 January – 31 December 2011
I.	OPERATING INCOME	22	51.984	34.800
1.1	FACTORING INCOME		51.984	34.800
1.1.1	Factoring Interest Income		49.108	32.061
1.1.1.1	Discounted		20.114	12.376
1.1.1.2	Other		28.994	19.685
1.1.2	Factoring Commission Income		2.876	2.739
1.1.2.1	Discounted		1.193	1.490
1.1.2.2	Other		1.683	1.249
II.	OPERATING EXPENSES (-)	23	(6.332)	(4.847)
2.1	Personal Expenses		(3.706)	(3.103)
2.2	Employee Severance Indemnity Expense		(96)	(59)
2.3	Research and Development Expense		-	-
2.4	General Administration Expense		(2.530)	(1.685)
2.5	Other		-	-
III.	OTHER OPERATING INCOME	24	29.868	46.691
3.1	Interest Income on Bank Deposits		348	3.227
3.2	Interest Income on Reverse Repurchase Agreements		-	-
3.3	Interest Income on Securities Portfolio		50	11
3.3.1	Interest Income on Financial Assets Held for Trading		50	11
3.3.2	Interest Income on Financial Assets at Fair Value Through Profit or Loss		-	-
3.3.3	Interest Income on Financial Assets Available For Sale		-	-
3.3.4	Interest Income on Financial Assets Held to Maturity		-	-
3.4	Dividend Income		1.272	2.034
3.5	Trading Account Income		21	-
3.5.1	Income From Derivative Financial Instruments		21	-
3.5.2	Other		-	-
3.6	Foreign Exchange Gains		27.354	41.083
3.7	Other		823	336
IV.	FINANCIAL EXPENSES (-)	25	(32.368)	(26.076)
4.1	Interest Expense on Funds Borrowed		(31.766)	(25.775)
4.2	Interest Expense on Factoring Payables		-	-
4.3	Interest Expense of Finance Leases		-	-
4.4	Interest Expense on Securities Issued		-	-
4.5	Other Interest Expenses		-	-
4.6	Fee and Commission Paid		(602)	(301)
V.	ALLOWANCE FOR LOSSES ON NON-PERFORMING RECEIVABLES (-)	26	(8.602)	(186)
VI.	OTHER OPERATING EXPENSES (-)	27	(27.303)	(40.547)
6.1	Impairment Losses on Securities Portfolio		-	-
6.1.1	Impairment Losses on Financial Assets at Fair Value Through Profit or Loss		-	-
6.1.2	Impairment Losses on Financial Assets Available For Sale		-	-
6.1.3	Impairment Losses on Financial Assets Held to Maturity		-	-
6.2	Impairment Losses on Non-Current Assets		-	-
6.2.1	Impairment Losses on Tangible Assets		-	-
6.2.2	Impairment Losses on Assets Held for Sale and Discontinued Operations		-	-
6.2.3	Impairment Losses on Goodwill		-	-
6.2.4	Impairment Losses on Other Intangible Assets		-	-
6.2.5	Impairment Losses on Subsidiaries, Associates and Joint Ventures		-	-
6.3	Losses From Derivative Financial Instruments		(7)	-
6.4	Foreign Exchange Losses		(27.288)	(40.547)
6.5	Other		(8)	-
VII.	NET OPERATING PROFIT / LOSS		7.247	9.835
VIII.	INCOME RESULTED FROM MERGES		-	-
IX.	GAIN/LOSS ON NET MONETARY POSITION		-	-
X.	PROFIT FROM CONTINUING OPERATIONS BEFORE TAX		7.247	9.835
XI.	INCOME TAX EXPENSE FROM CONTINUING OPERATIONS (±)	28	(2.673)	(1.599)
11.1	Current Tax Expense		(3.633)	(1.539)
11.2	Deferred Tax Expense (-)		-	(60)
11.3	Deferred Tax Benefit (+)		960	-
XII.	NET PROFIT FROM CONTINUING OPERATIONS		4.574	8.236
XIII.	INCOME FROM DISCONTINUED OPERATIONS		-	-
13.1	Income from Assets Held for Sale		-	-
13.2	Gain on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-	-
13.3	Other Income from Discontinued Operations		-	-
XIV.	EXPENSES FROM DISCONTINUED OPERATIONS (-)		-	-
14.1	Expense on Assets Held for Sale		-	-
14.2	Loss on Sale of Associates, Subsidiaries and Jointly Controlled Entities		-	-
14.3	Other Expenses from Discontinued Operations		-	-
XV.	PROFIT FROM DISCONTINUED OPERATIONS BEFORE TAX		-	-
XVI.	INCOME TAX EXPENSE FROM DISCONTINUED OPERATIONS (±)		-	-
16.1	Current Tax Expense		-	-
16.2	Deferred Tax Expense (-)		-	-
16.3	Deferred Tax Benefit (+)		-	-
XVII.	NET PROFIT FROM DISCONTINUED OPERATIONS		-	-
XVIII.	NET PROFIT FOR THE PERIOD		4.574	8.236
	Earnings Per Share		-	-

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

(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)

İŞ FACTORING FİNANSMAN HİZMETLERİ ANONİM ŞİRKETİ

STATEMENT OF RECOGNIZED INCOME AND EXPENSE ITEMS ACCOUNTED UNDER EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2012

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

		Audited Current Period 31 December 2012	Audited Prior Period 31 December 2011
PROFIT/LOSS ITEMS RECOGNISED DIRECTLY IN EQUITY			
I.	ADDITIONS TO MARKETABLE SECURITIES VALUE INCREASE FUND FROM FINANCIAL ASSETS AVAILABLE FOR SALE	2.176	(5.145)
1.1	Change in the Fair Value of the Financial Assets Available For Sale, Net	2.176	(5.145)
1.2	Change in the Fair Value of the Financial Assets Available For Sale, Net (Transfer to Profit/Loss)	-	-
II.	REVALUATION SURPLUS ON TANGIBLE ASSETS	-	-
III.	REVALUATION SURPLUS ON INTANGIBLE ASSETS	-	-
IV.	FOREIGN EXCHANGE DIFFERENCES ON FOREIGN CURRENCY TRANSACTIONS	-	-
V.	PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS FOR CASH FLOW HEDGES	-	-
5.1	Profit/Loss on Derivative Financial Assets for Cash Flow Hedges (Effective Portion of the Changes in Fair Value)	-	-
5.2	The Portion of Derivative Financial Assets Held for Cash Flow Hedges Reclassified in and Transferred to Income Statement	-	-
VI.	PROFIT/LOSS ON DERIVATIVE FINANCIAL ASSETS HELD FOR NET FOREIGN INVESTMENT HEDGES	-	-
6.1	Profit/Loss from Derivative Financial Assets for Net Investment Hedges (Effective Portion of Fair Value Differences)	-	-
6.2	The Portion of Derivative Financial Assets Held for Net Foreign Investment Hedges Reclassified in and Transferred to Income Statement	-	-
VII.	EFFECT OF CORRECTIONS OF ERRORS AND CHANGES IN THE ACCOUNTING POLICIES	-	-
VIII.	OTHER INCOME AND EXPENSES RECOGNISED UNDER EQUITY IN ACCORDANCE WITH TAS	-	-
IX.	DEFERRED TAXES ON REVALUATION DIFFERENCES	-	-
X.	NET PROFIT/LOSS RECOGNIZED DIRECTLY IN EQUITY (I+II+...+IX)	2.176	(5.145)
XI.	PROFIT/LOSS FOR THE PERIOD	4.574	8.236
XII.	TOTAL PROFIT/LOSS RECOGNISED FOR THE PERIOD	6.750	3.091

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

(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)

İŞ FACTORING FİNANSMAN HİZMETLERİ ANONİM ŞİRKETİ

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2012

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

	Notes	Paid-in Capital	Paid-in Capital Inflation Adjustment	Share Premium	Share Cancellation Profits	Legal Reserves	Statutory Reserves	Extraordinary Reserves	Other Reserves	Current Period Profit/Loss	Prior Period Profit/Loss	Fair Value Changes Of Marketable Securities	Revaluation Reserve on Tangible and Intangible Assets	Bonus Shares Obtained From Subs., Assoc., and Jointly Contr. Ent.	Hedge Reserves (Effective Portion)	Revaluation Reserves on Assets Held for Sale and Discontinued Operations	Total Equity
CHANGES IN EQUITY																	
Prior period (01.01 – 31.12.2011)																	
(Audited)																	
I.		16.000	4.064	-	-	1.031	-	14.590	-	5.361	-	7.623	-	1.213	-	-	49.882
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.		-	-	-	-	-	-	-	-	-	-	(5.145)	-	-	-	-	(5.145)
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.		-	-	-	-	-	-	-	-	8.236	-	-	-	-	-	-	8.236
XVI.		-	-	-	-	268	-	5.093	-	(5.361)	-	-	-	-	-	-	-
16.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16.2		-	-	-	-	268	-	5.093	-	(5.361)	-	-	-	-	-	-	-
16.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	17, 18	16.000	4.064	-	-	1.299	-	19.683	-	8.236	-	2.478	-	1.213	-	-	52.973
Current period (01.01.–31.12.2012)																	
(Audited)																	
I.		16.000	4.064	-	-	1.299	-	19.683	-	8.236	-	2.478	-	1.213	-	-	52.973
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
III.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3.2		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV.		-	-	-	-	-	-	-	-	-	-	2.176	-	-	-	-	2.176
V.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IX.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
X.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XI.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIII.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XIV.		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
XV.		-	-	-	-	-	-	-	-	4.574	-	-	-	-	-	-	4.574
XVI.		-	-	-	-	412	-	7.270	-	(8.236)	554	-	-	-	-	-	-
16.1		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16.2		-	-	-	-	412	-	7.270	-	(8.236)	554	-	-	-	-	-	-
16.3		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	17, 18	16.000	4.064	-	-	1.711	-	26.953	-	4.574	554	4.654	-	1.213	-	-	59.723

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

(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)

İŞ FACTORING FİNANSMAN HİZMETLERİ A.Ş.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2012

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

		Audited Current Period	Audited Prior Period
	Notes	31 December 2012	31 December 2011
A. CASH FLOWS FROM OPERATING ACTIVITIES			
1.1 Operating Profit Before Changes in Operating Assets and Liabilities		3.467	6.687
1.1.1 Interests Received/Lease Income		47.912	35.772
1.1.2 Lease Expenses		-	-
1.1.3 Dividends Received		488	548
1.1.4 Fee and Commission Received		2.876	2.739
1.1.5 Other Income		21	-
1.1.6 Collections from Non-performing Receivables	7	303	234
1.1.7 Payments to Personnel and Service Suppliers		(3.663)	(3.065)
1.1.8 Taxes Paid	15	(2.971)	(1.185)
1.1.9 Others		(41.499)	(28.356)
1.2 Changes in Operating Assets and Liabilities		(7.809)	(120.869)
1.2.1 Net (Increase) Decrease in Factoring Receivables		(608.672)	(72.376)
1.2.1 Net (Increase) Decrease in Financing Loans		-	-
1.2.1 Net (Increase) Decrease in Lease Receivables		-	-
1.2.2 Net (Increase) Decrease in Other Assets		1.561	(1.599)
1.2.3 Net Increase (Decrease) in Factoring Payables		106	(584)
1.2.3 Net Increase (Decrease) in Lease Payables		-	-
1.2.4 Net Increase (Decrease) in Funds Borrowed		599.033	(46.678)
1.2.5 Net Increase (Decrease) in Due Payables		-	-
1.2.6 Net Increase (Decrease) in Other Liabilities		163	368
I. Net Cash Provided by Operating Activities		(4.342)	(114.182)
B. CASH FLOWS FROM INVESTING ACTIVITIES			
2.1 Cash Paid for Purchase of Associates, Subsidiaries and Joint-ventures		31	(500)
2.2 Cash Obtained From Sale of Associates, Subsidiaries and Joint-Ventures		-	-
2.3 Purchases of Tangible and Intangible Assets	9, 10	(119)	(659)
2.4 Proceeds From Sale of Tangible and Intangible Assets		-	2
2.5 Cash Paid for Purchase of Financial Assets Available for Sale		-	-
2.6 Proceeds From Sale of Financial Assets Available for Sale		-	-
2.7 Cash Paid for Purchase of Held-to-Maturity Investment Securities		-	-
2.8 Proceeds from Sale of Held-to-Maturity Investment Securities		-	-
2.9 Other		-	-
II. Net Cash Used in Investing Activities		(88)	(1.157)
C. CASH FLOWS FROM FINANCING ACTIVITIES			
3.1 Cash obtained from funds borrowed and securities issued		-	-
3.2 Cash used for repayment of funds borrowed and securities issued		-	-
3.3 Equity instruments issued		-	-
3.4 Dividends paid		-	-
3.5 Payments for finance leases		-	-
3.6 Other		-	-
III. Net Cash Used in Financing Activities		-	-
IV. Effect of Change in Foreign Exchange Rate on Cash and Cash Equivalents		(8)	136
V. Net Increase/(Decrease) in Cash and Cash Equivalents		(4.438)	(115.203)
VI. Cash and Cash Equivalents at the Beginning of the Period	5	15.274	130.477
VII. Cash and Cash Equivalents at the End of the Period	5	10.836	15.274

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

(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)

İŞ FACTORING FİNANSMAN HİZMETLERİ ANONİM ŞİRKETİ

STATEMENT OF PROFIT DISTRIBUTION FOR THE YEAR ENDED 31 DECEMBER 2012

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

	Current Period (31 December 2012)	Prior Period (31 December 2011)
I. DISTRIBUTION OF CURRENT PERIOD PROFIT (*)		
1.1 CURRENT PERIOD PROFIT	7.247	9.835
1.2 TAXES AND DUES PAYABLE (-)	(2.673)	(1.599)
1.2.1 Corporate Tax (Income Tax)	(3.633)	(1.539)
1.2.2 Withholding Tax	-	-
1.2.3 Other taxes and dues (**)	960	(60)
A. NET PERIOD PROFIT (1.1 - 1.2)	4.574	8.236
1.3 PRIOR YEARS' LOSSES (-)	-	-
1.4 FIRST LEGAL RESERVE (-)	(229)	(412)
1.5 OTHER STATUTORY RESERVES NEEDED TO BE KEPT IN THE COMPANY (-)	-	-
B. DISTRIBUTABLE NET PERIOD PROFIT [(A-1.3+1.4+1.5)]	4.345	7.824
1.6 FIRST DIVIDEND TO SHAREHOLDERS (-)	-	-
1.6.1 To Owners of Ordinary Shares	-	-
1.6.2 To Owners of Preferred Stocks	-	-
1.6.3 To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.6.4 To Profit Sharing Bonds	-	-
1.6.5 To Owners of the Profit /Loss Sharing Certificates	-	-
1.7 DIVIDEND TO PERSONNEL (-)	-	-
1.8 DIVIDEND TO BOARD OF DIRECTORS (-)	-	-
1.9 SECOND DIVIDEND TO SHAREHOLDERS (-)	-	-
1.9.1 To Owners of Ordinary Shares	-	-
1.9.2 To Owners of Preferred Stocks	-	-
1.9.3 To Owners of Preferred Stocks (Preemptive Rights)	-	-
1.9.4 To Profit Sharing Bonds	-	-
1.9.5 To Owners of the Profit /Loss Sharing Certificates	-	-
1.10 SECOND LEGAL RESERVE (-)	-	-
1.11 STATUTORY RESERVES (-)	-	-
1.12 EXTRAORDINARY RESERVES	-	(7.824)
1.13 OTHER RESERVES	-	-
1.14 SPECIAL FUNDS	-	-
II. DISTRIBUTION FROM RESERVES	-	-
2.1 DISTRIBUTED RESERVES	-	-
2.2 SECOND LEGAL RESERVES (-)	-	-
2.3 SHARE TO SHAREHOLDERS (-)	-	-
2.3.1 To Owners of Ordinary Shares	-	-
2.3.2 To Owners of Preferred Stocks	-	-
2.3.3 To Owners of Preferred Stocks (Preemptive Rights)	-	-
2.3.4 To Profit Sharing Bonds	-	-
2.3.5 To Owners of the Profit /Loss Sharing Certificates	-	-
2.4 SHARE TO PERSONNEL (-)	-	-
2.5 SHARE TO BOARD OF DIRECTORS (-)	-	-
III. EARNINGS PER SHARE	-	-
3.1 TO OWNERS OF STOCKS (TRY)	0,2859	0,5148
3.2 TO OWNERS OF STOCKS (%)	28,59	51,48
3.3 TO OWNERS OF PREFERRED STOCKS (TRY)	-	-
3.4 TO OWNERS OF PREFERRED STOCKS (%)	-	-
IV. DIVIDEND PER SHARE	-	-
4.1 TO OWNERS OF STOCKS (TRY)	-	-
4.2 TO OWNERS OF STOCKS (%)	-	-
4.3 TO OWNERS OF PREFERRED STOCKS (TRY)	-	-
4.4 TO OWNERS OF PREFERRED STOCKS (%)	-	-

(*) As at the report date, the General Assembly Meeting has not been held; therefore, only distributable net profit is presented in the profit distribution table above for 2012.

(**) As per the Banking Regulation and Supervision Agency, income associated with deferred tax assets shall not be considered as cash or internally generated source and accordingly such amounts taking part of net period profit shall not be included in profit distribution and capital increase. The Company has deferred tax income amounting to TRY 960 which will not be included in profit distribution as at 31 December 2012 (31 December 2011: TRY 60 deferred tax expense).

İŞ FACTORING FİNANSMAN HİZMETLERİ ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

İş Factoring Finansman Hizmetleri A.Ş. (“the Company”), was incorporated on 6 July 1993 in Turkey and started its operations in October 1993. The core business of the Company is factoring operations, both domestic and abroad. The Company maintains its operations within the framework of “Leasing, Factoring and Financing Companies Law” published on Official Gazette dated 13 December 2012 and numbered 28496. and “Regulation on Principles for Establishment and Operations of Financial Leasing, Factoring and Financing Companies”

The Company is a Türkiye İş Bankası A.Ş. Group Company. The main shareholder of the Company is İş Finansal Kiralama A.Ş. with 78,23% shareholding. Türkiye Sınai Kalkınma Bankası A.Ş. is also shareholder of the Company with 21,75% shareholding.

As at 31 December 2012, the number of employees of the Company is 35 (31 December 2011: 36).

The head office of the Company is located at:

İş Kuleleri, Kule 1 Kat: 10 34330 Levent / Istanbul Türkiye

Dividend payable:

As at 31 December 2012, the Company does not have any dividend payable declared by the General Assembly (31 December 2011: None).

Approval of the financial statements:

The financial statements as at 31 December 2012 have been approved by the Board of Directors of the Company and authorized for issue at 6 March 2013. General Assembly has the discretion of making changes in the financial statements after their issuance.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of the Presentation

The accompanying financial statements are prepared in accordance with “Communiqué Uniform Chart of Accounts to be implemented by Financial Leasing, Factoring and Financing Companies and its Explanation as well as the Form and Scope of Financial Statements to be announced to Public” published on the Official Gazette no.26525 dated 17 May 2007 promulgated by Banking Regulation and Supervision Agency (“BRSA”), Turkish Accounting Standards (“TAS”), Turkish Financial Reporting Standards (“TFRS”) and the appendices and interpretations promulgated by Turkish Accounting Standards Board (“TASB”) and the statements and guidance published by BRSA on accounting and financial reporting principles (together referred as “Reporting Standards”).

Per decree no 660 published on the Official Gazette dated 2 November 2011 and became effective, additional article no:1 of the 2499 numbered Law on establishment of TASB has been abrogated and establishment of Public Oversight, Accounting and Auditing Standards Association (“Board”) has been decided by the Council of Ministers. In accordance with this additional temporary article no 1 of the decree, current regulations will prevail until related standards and regulations will be issued by the Board become effective.

The accompanying financial statements are prepared on the historical cost basis as adjusted for the effects of inflation that lasted until 31 December 2004, except for the financial assets at fair value through profit or loss, available-for-sale financial assets and derivative financial instruments which are measured at their fair values when reliable measures are available.

(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)

İŞ FACTORING FİNANSMAN HİZMETLERİ ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

2.1 Basis of the Presentation

Per decree no 660 published in the Official Gazette dated 2 November 2011 and became effective, additional article no:1 of the 2499 numbered Law on establishment of TASB has been abrogated and establishment of Public Oversight, Accounting and Auditing Standards Association (“the Board”) has been decided by the Council of Ministers. In accordance with this additional temporary article no 1 of the decree, current regulations will prevail until related standards and regulations will be issued by the Board become effective. This situation does not have an effect on the Basis of the Presentation as of the reporting date.

Additional Paragraph for Convenience Translation to English

The differences between accounting principles, as described in the preceding paragraphs, and the accounting principles generally accepted in countries, in which the accompanying financial statements are to be distributed, and International Financial Reporting Standards (“IFRS”), may have significant influence on the accompanying financial statements. Accordingly, the accompanying financial statements are not intended to present the financial position and results of operations in accordance with the accounting principles generally accepted in such countries and IFRS.

Functional and Reporting Currency

Functional currency of the Company, and the presentation currency for the financial statements is Turkish Lira (“TRY”).

Preparation of Financial Statements in Hyperinflationary Periods

The financial statements of the Company have been adjusted for the effects of inflation in accordance with TAS 29 “Financial Reporting in Hyperinflationary Economies” until 31 December 2004. By a circular issued on 28 April 2005, BRSA declared that the application of inflation accounting has been ceased to be applied for the companies operating in Turkey starting from 1 January 2005, since the provisions of hyperinflationary economy do not exist anymore. Accordingly, non-monetary assets and liabilities, and components of equity as at 31 December 2010 were adjusted for the effects of inflation that lasted till 31 December 2004 for the items acquired before 31 December 2004 and the items which were acquired after 1 January 2005 were accounted for at their respective nominal amounts.

Comparative information and correction of previous’ periods’ financial statements

The accompanying financial statements are presented comperatively to determine the tendency in the financial statements of the Company. If the presentation and reclassification of the financial statement items change, the prior year financial statements are reclassified accordingly to conform the current year’s presentation and the restatement is explained in the notes.

İŞ FACTORING FİNANSMAN HİZMETLERİ ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (Continued)

Accounting estimates

The preparation of financial statements 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. In particular, information about significant accounting estimates used are described in the following notes:

- Note 3 (b) and (c) – Useful life of tangible and intangible assets
- Note 4 – Financial assets and liabilities at fair value through profit or loss
- Note 6 – Financial assets available for sale
- Note 7 – Factoring receivables, Non-performing receivables
- Note 11 – Deferred tax assets and liabilities
- Note 16 – Employee benefits
- Note 19 – Commitments and contingencies
- Note 26 – Provisions for non-performing receivables
- Note 31 – Additional information about financial instruments

Changes in Accounting Estimates and Errors

If the changes in accounting estimates relate to a specific period, they are applied in the period they relate to whereas if the changes are related to future periods, they are applied both in the period the change is made and prospectively in the future periods. There has not been any significant change in the accounting estimates of the Company in the current year.

Material accounting errors are adjusted retrospectively and prior periods’ financial statements are restated.

Standards and Interpretations Effective as at 31 December 2012

The Company applied all of the relevant and required standards promulgated by TASB and interpretations of the Turkish Financial Reporting Interpretation Committee (“TFRIC”), as at 31 December 2012.

Standards and Interpretations Not Yet Effective 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 2013, 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:

- TFRS 9 *Financial Instruments*, which becomes mandatory for the Company’s 2015 financial statements and could change the classification and measurement of financial assets.
- TFRS 13 *Fair Value Measurement* replaces the fair value measurement guidance contained in individual TFRSs with a single source of fair value measurement guidance and becomes effective for annual periods beginning on or after 1 January 2013.
- TAS 19 – *Employee Benefits*; amendments on recognition and measurement of defined benefit cost. Related amendments will be applicable for reporting periods starting on or after 1 January 2013.

İŞ FACTORING FİNANSMAN HİZMETLERİ ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and valuation principles used to prepare the accompanying financial statements are as follows:

a. Revenue

Factoring revenue consists of factoring interest and commission income collected or accrued on advances given to the customers. Commission income is a certain percentage of the total amount of invoices subject to factoring. Factoring interest and commission income is recognised on accruals basis using effective interest methods.

Other interest income is accrued based on the effective interest which equals the estimated cash flows to net book value of the related asset. Dividend income from equity share investments is recognized when the shareholders have the right to receive the payment.

All income and expenses are accounted for on accrual basis.

b. Tangible Assets

Tangible assets acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TRY units current at the 31 December 2004 less accumulated depreciation and impairment losses, and tangible assets acquired after 1 January 2005 are carried at acquisition cost less accumulated depreciation and impairment losses.

Tangible assets are depreciated over the estimated useful lives of the related assets on a straight-line basis over the cost. The estimated useful lives, residual values and depreciation method are reviewed at each reporting date.

Leasehold improvements are depreciated in straight-line method, over shorter of their useful lives or tenancy.

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 profit or loss as incurred.

Gains and losses on disposal of an item of tangible assets are determined by comparing the proceeds from disposal with the carrying amount of tangible assets, and are recognized net within other operating income/expense in the income statement.

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

<u>Descriptions</u>	<u>Years</u>
Furniture and fixtures	5 years
Leasehold improvements	5 years

İŞ FACTORING FİNANSMAN HİZMETLERİ ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

c. Intangible Assets

Intangible assets include computer software and licenses. Intangible assets acquired before 1 January 2005 are carried at restated cost for the effects of inflation in TRY units current at the 31 December 2004 less accumulated amortisation and impairment losses and intangible assets acquired after 1 January 2005 are carried at acquisition cost less accumulated amortisation and impairment losses. The estimated useful lives, residual values and amortization method of intangible assets other than goodwill are reviewed at each reporting date. Amortization is charged on a straight-line basis over their estimated useful lives. The intangible assets are comprised of computer software and licenses. The useful lives of intangible assets are 5 years.

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their useful lives. Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with the development of identifiable and unique software products controlled by the Company, and that will probably generate economic benefits exceeding costs beyond one year, are recognized as intangible assets. Computer software development costs recognized as assets are amortized over their estimated useful lives (not exceeding five years).

d. Impairment of Non-Financial Assets

The carrying amounts of the Company’s 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the “cash-generating unit”). Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

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.

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

e. Borrowing Costs

All borrowing costs are recorded in the income statement in the period in which they are incurred.

İŞ FACTORING FİNANSMAN HİZMETLERİ ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial Instruments

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: “financial assets as at fair value through profit or loss (FVTPL)”, “held-to-maturity investments”, “available-for-sale (AFS) financial assets” and “loans and receivables”. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Financial assets at FVTPL

Financial assets at fair value through profit or loss are financial assets held for trading and financial assets designated under this category upon initial recognition. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or achieved more relevant accounting measurement. Derivatives are also categorized as held for trading unless they are designated as hedges.

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortized cost using the effective interest method less impairment, with revenue recognized using effective interest method.

Available for sale financial assets

Quoted equity investments and quoted certain debt securities held by the Company that are traded in an active market are classified as being available-for-sale financial assets and are stated at fair value. The Company also has investments in unquoted equity investments that are not traded in an active market but are also classified as available-for-sale financial assets and stated at cost since their value cannot be reliably measured.

Gains and losses arising from changes in fair value are recognized in other comprehensive income and presented under the marketable securities revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognized in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the marketable securities revaluation reserve is transferred to profit or loss.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial Instruments (Continued)

Available for sale financial assets (Continued)

Dividends on available-for-sale equity instruments are recognized in the profit or loss when the Company’s right to receive the dividends is established.

The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the exchange rate valid at the end of the reporting period. The foreign exchange gains and losses that are recognized in profit or loss are determined based on the amortized cost of the monetary asset. Other foreign exchange gains and losses are recognized in other comprehensive income.

Factoring receivables and other receivables

Loans and receivables include factoring receivables and other receivables. Factoring receivables and other receivables are carried at fair value at initial recognition and they are carried at amortized cost subsequent to initial recognition, using the effective interest method.

Factoring transactions are accounted for at carrying amounts in subsequent reporting periods. The Company management believes that carrying amounts of factoring receivables approximate to their fair values since amortization is taken into account at initial recognition.

Provision for factoring receivables and other receivables are recognized as an expense and written off against the profit for the year. In accordance with the Communiqué No. 26588 on the “Communiqué on Procedures and Principles for the Provisions to be set aside by Financial Leasing, Factoring and Financing Companies for their Receivables” issued at 20 July 2007 by BRSA, special provision rate allocated for the factoring receivables considering their guarantees are as follows: 20%, at a minimum, for factoring receivables overdue more than 90 days not exceeding 180 days; 50%, at a minimum, for factoring receivables overdue more than 180 days not exceeding 360 days; and 100%, at a minimum, for factoring receivables overdue more than 1 year.

While the Company provides 100% provision for doubtful factoring receivables which do not have worthy collaterals without considering the time intervals above, the Company provides provision for its doubtful factoring receivables having possibility of recovery based on the time intervals mentioned above.

Other receivables that have fixed or determinable payments that are not quoted in an active market are also classified in this category. These receivables are measured at amortized cost using the effective interest method less any impairment.

Impairment of financial assets

Financial assets, other than those at fair value through profit or loss, are subject to impairment testing at each reporting date to determine whether there is any indicator of impairment for financial asset or financial asset group. An entity shall assess at each reporting date whether there is any objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset. That loss event or events must also have an impact on the estimated future cash flows of the financial asset or group of financial assets. For the financial assets which are measured at amortized cost, the amount of impairment is the difference between the asset’s carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Financial Instruments (Continued)

Impairment of financial assets (Continued)

The carrying amount of the financial asset is reduced by impairment loss directly for all financial assets with the exception of factoring receivables where the carrying amount is reduced through the use of an allowance account. When a receivable is uncollectible, it is written off against the allowance account. Changes in allowance accounts are recognized in profit or loss.

With the exception of available for sale equity instruments, if, in a subsequent period the amount of the impairment loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent the carrying amount of the investment at the date the impairment is reversed does not exceed the amortized cost that would have been impaired.

Increase in fair value of available for sale equity instruments subsequent to impairment is recognized in directly in equity.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments with maturities of three months or less than three months from date of acquisition and that are readily convertible to cash and are subject to an insignificant risk of changes in value.

Financial liabilities

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument. An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at FVTPL and stated at fair value, with any resulting gain or loss recognized in profit or loss. The net gain or loss recognized in profit or loss includes any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized cost using the effective interest method plus the interest expense recognized on effective interest method.

The effective interest method that calculates the amortized cost of a financial liability and allocates interest expense over the relevant period. The effective interest rate discounts the estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

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(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Derivative financial instruments and hedge accounting

The Company’s activities expose it primarily to the financial risks of changes in foreign exchange rates and interest rates. The Company uses derivative financial instruments (primarily foreign currency forward and currency swap contracts) to hedge its risks associated with foreign currency fluctuations relating to certain firm commitments and forecasted transactions. Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured at fair value at subsequent reporting dates. Although some of the derivative transactions provide economic hedging, since all necessary conditions for hedge accounting have not been met, the Company classifies these transactions as held for trading and therefore, changes in the fair value of derivative financial instruments are recognized in profit or loss as they arise.

h. Effects of Changes in Exchange Rates

The financial statements of the Company are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the financial statements, the results and financial position of the Company are expressed in TRY, which is the functional currency of the Company, and the presentation currency for the financial statements.

The foreign currency exchange rates used by the Company as at 31 December 2012 and 2011 are as follows:

	<u>2012</u>	<u>2011</u>
USD	1,7826	1,8889
Euro	2,3517	2,4438

In preparation of the financial statements of the Company, transactions in currencies other than TRY (foreign currencies) are recorded at the prevailing exchange rates at the transaction date. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the reporting date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

i. Earnings Per Share

In Turkey, companies can increase their share capitals by issue of “Bonus Shares” to their shareholders from their retained earnings. In computing earnings per share, such issues of “Bonus Shares” are treated as issued shares. Accordingly, the retrospective effect for those share issues is taken into consideration in determining the weighted-average number of shares outstanding used in this computation.

The Company's shares are not traded on the stock exchange, therefore, earnings per share are not disclosed in the accompanying financial statements.

j. Subsequent Events

Subsequent events means the events occurred between the balance sheet date and the authorization date for the announcement of the financial statements. In accordance with TAS 10 “Events After the Reporting Date”; post-balance sheet events that provide additional information about the Company’s position at the reporting dates (adjusting events) are reflected in the financial statements. Post-balance sheet events that are not adjusting events are disclosed in the notes when material.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

k. Provisions, Contingent Liabilities and Contingent Assets

In accordance with the TAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, a provision is recognized when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Company discloses the related issues in the accompanying notes. 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 if the time value of the money is significant to the provision.

Contingent assets are disclosed in the notes and not recognized unless they are realized.

l. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Company at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease.

m. Segment Reporting

The Company provides factoring services only in Turkey. Furthermore, there are no business segments whose financial performance are reviewed by the Company’s management separately. Hence, the Company has not disclosed segment reporting.

n. Taxes on Income

Income tax expense or credit comprises current and deferred tax. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

n. Taxes on Income (Continued)

Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognized for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realized simultaneously.

A deferred tax asset is recognized for unused tax losses, investment incentives, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

o. Employee Benefits / Reserve for Employee Termination Benefits

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 recognized in the accompanying financial statements as accrued. The computation of the liability is based upon the retirement pay ceiling announced by the government.

In accordance with TAS 19 “Employee Benefits”, the Company calculated the employee severance indemnities incurred due to retirement of its employees by discounting the future liabilities to their present values, by using actuarial method and reflected to the financial statements. The main estimates used are as follows:

	2012	2011
Discount rate	2,12%	3,82%
Expected rate of salary/limit increase	5,00%	5,00%
Probability of retirement	100%	100%

The principal assumption is that the maximum liability for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the retirement pay ceiling is revised semi annually, the ceiling amount of full TRY 3.033,98 effective from 1 January 2013 has been taken into consideration in calculation of provision for employee termination benefits (retirement pay provision) (31 December 2011: full TRY 2.731,85).

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3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

p. Statement of Cash Flows

In the statement of cash flows, cash flows are classified according to operating, investing and financing activities.

Cash flows from operating activities reflect cash flows mainly generated from factoring operations of the Company.

Cash flows from investing activities express cash used in investing activities (direct investments and financial investments) and cash flows generated from investing activities of the Company.

Cash flows relating to financing activities express sources of financial activities and payment schedules of the Company.

r. Share Capital and Dividends

Common shares are classified as equity. Dividends on common shares are reclassified as dividend payables by netting off from the retained earnings in the period in which they are approved and disclosed.

s. Related Parties

In accordance with TAS 24 “Related Party Disclosures” shareholders, key management and board members, in each case together with companies controlled by or affiliated with them, and associated companies are considered and referred to as related parties. Related party transactions consist of the transfer of the assets and liabilities between related parties by a price or free of charge.

For the purpose of the accompanying financial statements, shareholders of the Company, the companies controlled by/associated with them, key management and the Board members of the Company are referred to as related parties (Note 8).

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4. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets held for trading:

As at 31 December 2012 and 2011, details of financial assets held for trading are as follows:

	2012		2011	
	TRY	FC	TRY	FC
Mutual funds	14	-	769	-
	14	-	769	-

Financial assets held for trading includes only Türkiye İş Bankası A.Ş. mutual funds.

Derivative Financial Liabilities Held For Trading:

Derivative financial instruments are measured at their fair values. Favorable fair value changes of derivative financial instruments are recognized under derivative financial assets held for trading and unfavorable fair value changes of derivative financial instruments are recognized under derivative financial liabilities held for trading.

	2012		2011	
	TRY	FC	TRY	FC
Derivative financial assets held for trading	-	21	-	-
	-	21	-	-

	2012		2011	
	TRY	FC	TRY	FC
Derivative financial liabilities held for trading	-	7	-	-
	-	7	-	-

Derivative financial assets and liabilities held for trading includes derivative transactions for purchase/sales are performed with Türkiye İş Bankası A.Ş.

5. BANKS

	2012		2011	
	TRY	FC	TRY	FC
Demand deposits	393	650	303	856
Time deposits	-	9.793	-	14.115
Interest accrual	-	-	-	24
	393	10.443	303	14.995

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NOTES TO THE FINANCIAL STATEMENTS AS AT AND FOR THE YEAR ENDED 31 DECEMBER 2012

(Amounts are expressed in thousands of Turkish Lira (“TRY”) unless otherwise stated.)

5. BANKS (Continued)

The details of the time deposits as at 31 December 2012 are as follows:

Currency	Interest Rate %	Maturity	2012
USD	0,60	02.01.2013	8.699
Euro	0,40	02.01.2013	1.094
			<u>9.793</u>

The details of the time deposits as at 31 December 2011 are as follows:

Currency	Interest Rate %	Maturity	2011
USD	0,25-5,25	02.01.2012-26.01.2012	12.917
Euro	5,15	01.02.2012	1.222
			<u>14.139</u>

As at 31 December 2012, TRY 10.443 portion of total foreign currency deposits (31 December 2011: TRY 1.328) and TRY 392 portion of total TRY deposits (31 December 2011: TRY 301) consist of accounts at the Company’s ultimate shareholder, Türkiye İş Bankası A.Ş.

The reconciliation of carrying value of cash and cash equivalents in the accompanying financial statements and the statement of cash flows is as follows:

	2012	2011
Demand deposits	1.043	1.159
Time deposits (1-3 months) (without accruals)	9.793	14.115
Cash and cash equivalents	<u>10.836</u>	<u>15.274</u>

As at 31 December 2012 and 2011, there is no any blockage on cash and cash equivalents.

6. FINANCIAL ASSETS AVAILABLE FOR SALE

Title of the investment	Core business	Incorporation and location	Voting right (%)	Ownership rate (%)		Carrying Amount	
				2012	2011	2012	2011
Quoted Investments:							
İş Yatırım	Investment and Securities Services	Istanbul	2,43	2,43	2,43	11.478	9.044
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	Private Equity	Istanbul	0,89	0,89	0,89	1.319	878
Unquoted investments:							
Yatırım Finansman Menkul Değerler A.Ş.	Investment and Securities Services	Istanbul	0,06	0,06	0,06	38	34
İş Net	Inf. Comm. and Techn. Services	Istanbul	1,00	1,00	1,00	277	227
Efes Varlık Yönetim A.Ş.	Asset Management	Istanbul	5,00	5,00	5,00	500	500
TOTAL						13.612	10.683

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7. FACTORING RECEIVABLES AND PAYABLES

Factoring receivables:

	<u>2012</u>	<u>2011</u>
Domestic factoring receivables	988.967	404.638
Export and import factoring receivables	27.750	2.767
Factoring interest income accrual	2.997	1.378
Unearned interest income	(4.770)	(4.130)
	<u>1.014.944</u>	<u>404.653</u>
Non-performing factoring receivables (*)	10.902	2.603
Provision for non-performing factoring receivables (*)	(10.902)	(2.603)
	<u>1.014.944</u>	<u>404.653</u>

(*) Presented under the non-performing receivables in the accompanying balance sheet.

TRY 376.288, Euro 2.417.083 and USD 2.617.654 of factoring receivables have variable rates (31 December 2011: Euro 1.134.088 and TRY 98.139) while TRY 610.720, Euro 5.176.643 and USD 3.035.993 and of factoring receivables have fixed rates (31 December 2011: TRY 303.743).

As at 31 December 2012, the average interest rate applicable for the factoring receivables is; 8,71% for TRY, 7,17% for USD and 5,16% for Euro (31 December 2011: 15,17% for TRY and 6,27% for Euro).

The Company has contractual sureties as collateral for factoring receivables.

The details of the factoring receivables based on types of factoring transactions are as follows:

	<u>2012</u>	<u>2011</u>
Domestic irrevocable	636.446	60.671
Foreign irrevocable	8.816	1.386
Domestic revocable	350.562	341.211
Foreign revocable	19.120	1.385
	<u>1.014.944</u>	<u>404.653</u>

Except for its non-performing receivables for which 100% allowance is provided, the Company does not have overdue factoring receivables as at the reporting date. The carrying amount of the Company’s restructured factoring receivables amounts to TRY 87 (31 December 2011: TRY 614). If such receivables were not restructured, they would be classified as overdue or doubtful receivables. The Company has contractual sureties as collateral for such receivables.

The aging of non-performing factoring receivables is as follows:

	<u>2012</u>	<u>2011</u>
Between 90 – 180 days	8.763	186
Between 180 – 360 days	-	-
Over 360 days	2.139	2.417
	<u>10.902</u>	<u>2.603</u>

The Company has contractual sureties as collateral for the above non-performing factoring receivables.

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7. FACTORING RECEIVABLES AND PAYABLES (Continued)

The movement of allowance for non-performing factoring receivables is as follows:

	2012	2011
Allowance at the beginning of the period	(2.603)	(2.651)
Allowance set during the period	(8.602)	(186)
Collections (Note 24)	303	234
Allowance at the end of the period	<u>(10.902)</u>	<u>(2.603)</u>

Factoring Payables:

As at 31 December 2012 and 2011, details of factoring payables are as follows:

	2012		2011	
	TRY	FC	TRY	FC
Factoring payables	54	73	-	21
Total	<u>54</u>	<u>73</u>	<u>-</u>	<u>21</u>

8. RELATED PARTIES

	2012	2011
<u>Factoring receivables from related parties</u>		
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	16.595	2.030
Ant Gıda Tarım Tur. En. ve Demir Çelik San. Tic. A.Ş.	6.353	3.353
Kültür Yayınları İş-Türk Ltd. Şti.	1.142	743
Nevotek Bilişim Ses Ve İletişim Sist. San. ve Tic. A.Ş.	-	235
	<u>24.090</u>	<u>6.361</u>
<u>Payables to related parties</u>		
Türkiye İş Bankası A.Ş.	47	194
İş Net	1	1
İş Merkezleri Yönetim ve İşletim A.Ş.	1	-
Anadolu Anonim Türk Sigorta Şirketi (Insurance Premium)	-	5
	<u>49</u>	<u>200</u>
<u>Deposits placed at related parties</u>		
	2012	2011
Türkiye İş Bankası A.Ş. Time Deposits	9.793	1.157
Türkiye İş Bankası A.Ş. Demand Deposits	1.002	472
İş Bankası London Branch Demand Deposits	39	-
	<u>10.834</u>	<u>1.629</u>

İŞ FACTORING FİNANSMAN HİZMETLERİ ANONİM ŞİRKETİ

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8. RELATED PARTIES (Continued)

Borrowings from related parties

As at 31 December 2012 and 2011, details of borrowings from related parties are as follows:

Türkiye İş Bankası A.Ş.

Currency	Interest Rate %	Maturity	2012
TRY	6,40-12,00	07.01.2013	515.226
USD	3,60-6,65	04.02.2013-05.12.2013	18.470
Euro	3,75-4,50	04.01.2013 - 27.01.2013	484
			<u>534.180</u>

Currency	Interest Rate %	Maturity	2011
TRY	12,00-13,65	09.01.2012-19.03.2012	200.000
USD	3,20-6,80	05.01.2012-05.12.2013	60.936
Euro	4,25	05.04.2012-20.04.2012	1.299
			<u>262.235</u>

İş Bank AG (*)

Currency	Interest Rate %	Maturity	2012
Euro	3,00	Overdraft	11.618
Euro	1,90-4,54	25.01.2013-27.12.2013	8.961
USD	4,13-4,67	29.05.2012-07.11.2013	9.700
			<u>30.279</u>

Currency	Interest Rate %	Maturity	2011
Euro	3,00	Overdraft	2.017
			<u>2.017</u>

(*) The Bank’s trade name “İşbank GmbH” was changed to İşbank AG on 3 August 2012.

İş Bank London Branch

Currency	Interest Rate %	Maturity	2012
USD	3,50-4,00	12.09.2013-27.12.2013	9.535
			<u>9.535</u>

Currency	Interest Rate %	Maturity	2011
Euro	4,28	Overdraft	634
			<u>634</u>

İŞ FACTORING FİNANSMAN HİZMETLERİ ANONİM ŞİRKETİ

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8. RELATED PARTIES (Continued)

For the periods ended 31 December 2012 and 2011, income and expenses from related parties are as follows:

	2012	2011
<u>Interest income from related parties</u>		
Türkiye İş Bankası A.Ş.	19	11
	<u>19</u>	<u>11</u>
<u>Dividend income from related parties</u>		
İş Net	999	17
İş Girişim Sermayesi Yatırım Ortaklığı A.Ş.	179	67
Yatırım Finansman Menkul Değerler A.Ş.	90	4
İş Yatırım	4	1.946
	<u>1.272</u>	<u>2.034</u>
<u>Finance expense</u>		
Türkiye İş Bankası A.Ş.	11.445	6.688
İşbank AG	374	18
İşbank London Branch	5	601
	<u>11.824</u>	<u>7.307</u>
<u>Rent expense</u>		
Türkiye İş Bankası A.Ş.	686	439
İş Gayrimenkul Yatırım Ortaklığı A.Ş.	-	70
	<u>686</u>	<u>509</u>
<u>Factoring commission income</u>		
Şişe Cam Dış Tic.AŞ.	150	102
Kültür Yayınları İş-Türk Ltd.Şti.	15	6
	<u>165</u>	<u>108</u>
<u>Factoring interest income</u>		
Ant Gıda Tarım Turizm Enerji ve Demir Çelik San. Tic. A.Ş.	602	44
Bayek Tedavi Sağlık Hizmetleri ve İşletmeciliği A.Ş.	415	971
Kültür Yayınları İş-Türk Ltd. Şti.	177	70
Nevotek Bilgisayar Ses ve İlet. Sist. Sanayi ve Ticaret A.Ş.	40	23
	<u>1.234</u>	<u>1.108</u>
<u>Mutual fund income</u>		
Türkiye İş Bankası A.Ş.	51	11
	<u>51</u>	<u>11</u>

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8. RELATED PARTIES (Continued)

	<u>2012</u>	<u>2011</u>
<u>General administrative expense</u>		
Türkiye İş Bankası A.Ş.	345	-
Anadolu Anonim Türk Sigorta A.Ş.	107	101
İş Net	33	369
Anadolu Hayat Emeklilik A.Ş.	54	4
İş Merkezleri Yönetim ve İşletim A.Ş.	1	75
	<u>540</u>	<u>549</u>

Commission expense

Türkiye İş Bankası A.Ş.	<u>311</u>	<u>74</u>
	<u>311</u>	<u>74</u>

Derivative transactions with the related parties

Derivative transactions presented in the accompanying financial statements are performed with Türkiye İş Bankası A.Ş. as at 31 December 2012 (31 December 2011: None) (Note 19).

<u>Key management personnel compensation (*)</u>	<u>2012</u>	<u>2011</u>
Salaries and other short-term benefits (**)	<u>1.219</u>	<u>836</u>
	<u>1.219</u>	<u>836</u>

(*) Key management consists of general manager, assistant general managers and members of the board of directors.

(**) Consists of monetary benefits along with vehicle rentals and other associated expenses.

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9. TANGIBLE ASSETS

	Furniture and Fixtures	Leasehold Improvements	Total
<u>Cost</u>			
Opening balance at 1 January 2012	609	19	628
Additions	3	-	3
Disposals	-	-	-
Closing balance at 31 December 2012	<u>612</u>	<u>19</u>	<u>631</u>
<u>Accumulated depreciation</u>			
Opening balance at 1 January 2012	(100)	(3)	(103)
Depreciation for the year	(121)	(4)	(125)
Disposals	-	-	-
Closing balance at 31 December 2012	<u>(221)</u>	<u>(7)</u>	<u>(228)</u>
Carrying amounts at 31 December 2012	<u>391</u>	<u>12</u>	<u>403</u>

	Furniture and Fixtures	Leasehold Improvements	Total
<u>Cost</u>			
Opening balance 1 January 2011	570	49	619
Additions	554	19	573
Disposals	(515)	(49)	(564)
Closing balance 31 December 2011	<u>609</u>	<u>19</u>	<u>628</u>
<u>Accumulated depreciation</u>			
Opening balance 1 January 2011	(527)	(47)	(574)
Depreciation for the year	(86)	(3)	(89)
Disposals	513	47	560
Closing balance 31 December 2011	<u>(100)</u>	<u>(3)</u>	<u>(103)</u>
Carrying amounts at 31 December 2011	<u>509</u>	<u>16</u>	<u>525</u>

10. INTANGIBLE ASSETS

	2012	2011
<u>Cost</u>		
Opening balance at 1 January	223	293
Additions	116	86
Disposal	-	(156)
Closing balance at the end of the year	<u>339</u>	<u>223</u>
<u>Accumulated amortisation</u>		
Opening balance at 1 January	(75)	(210)
Charge for year	(37)	(20)
Disposals	-	155
Closing balance at the end of the year	<u>(112)</u>	<u>(75)</u>
Carrying amounts at the end of the year	<u>227</u>	<u>148</u>

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11. DEFERRED TAX ASSETS AND LIABILITIES

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:

<u>Temporary differences subject to deferred tax:</u>	<u>2012</u>	<u>2011</u>
Unearned interest income	4.770	-
Reserve for employee benefits	282	186
Employee bonus accrual	194	169
Allowance for doubtful factoring receivables	111	137
Impairment loss in associates	115	115
Unused vacation	69	51
Tax base differences in tangible and intangible assets	(316)	(249)
Valuation differences on financial instruments	(14)	-
	<u>5.211</u>	<u>409</u>
<u>Deferred tax assets / (liabilities)</u>	<u>2012</u>	<u>2011</u>
Unearned interest income	954	-
Reserve for employee benefits	56	37
Employee bonus accrual	39	34
Allowance for doubtful factoring receivables	22	27
Impairment loss in associates	23	23
Unused vacation	14	10
Tax base differences in tangible and intangible assets	(63)	(49)
Valuation differences on financial instruments	(3)	-
Deferred tax assets (net)	<u>1.042</u>	<u>82</u>

Deferred tax assets movement for the years ended 31 December 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Opening balance at 1 January	82	142
Deferred tax benefit / (expense)	960	(60)
Closing balance	<u>1.042</u>	<u>82</u>

Tax rate used in computation of deferred tax assets and liabilities is 20% (31 December 2011: 20%).

12. OTHER ASSETS

As at 31 December 2012 and 2011, details of other assets are as follows:

	<u>2012</u>		<u>2011</u>	
	<u>TRY</u>	<u>FC</u>	<u>TRY</u>	<u>FC</u>
Prepaid expenses	158	-	143	-
Others	3	-	8	104
	<u>161</u>	<u>-</u>	<u>151</u>	<u>104</u>

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13. FUNDS BORROWED

As at 31 December 2012 and 2011, details of funds borrowed are as presented:

	2012		2011	
	TRY	FC	TRY	FC
Short-term borrowings	893.948	84.843	312.322	63.954
Short-term portion of long-term borrowings	-	-	-	-
Total short-term borrowings	893.948	84.843	312.322	63.954
Long-term borrowings	-	-	-	1.475
Total long-term borrowings	-	-	-	1.475
Total	893.948	84.843	312.322	65.429

As at 31 December 2012 and 2011, details of borrowings based on types of currency are as follows:

Currency	Interest rate %	Original currency amount	2012
TRY (*)	6,00-12,00	-	875.426
USD	3,50-6,65	44.296	78.962
Euro	1,90-4,54	9.208	21.655
Interest accruals	-	-	2.748
Total			978.791
Currency	Interest rate %	Original currency amount	2011
TRY (*)	12,00-13,65	-	310.850
USD	3,20-6,80	32.260.170	60.936
Euro	3,00-4,25	1.616.547	3.951
Interest accruals	-	-	2.014
Total			377.751

(*) Foreign currency indexed borrowings have been presented in TRY column in the accompanying balance sheet.

As at 31 December 2012 and 2011, interest rates are presented as compounded.

As at 31 December 2012 and 2011, the details of fixed and variable rate borrowings are as followed:

	2012		2011	
	TRY	FC	TRY	FC
Variable rate	877.492	-	285.654	2.652
Fixed rate	16.456	84.843	26.668	62.777
	893.948	84.843	312.322	65.429

Fair values of the funds borrowed are presented in Note 31.

As at 31 December 2012, the Company has available unused credit lines amounting TRY 1.126.257 for which all precedent conditions were met (31 December 2011: TRY 1.306.270).

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14. MISCELLANEOUS PAYABLES AND OTHER LIABILITIES

As at 31 December 2012 and 2011, details of miscellaneous payables are as follows:

	2012		2011	
	TRY	FC	TRY	FC
Payables to suppliers	300	40	208	69
	<u>300</u>	<u>40</u>	<u>208</u>	<u>69</u>

15. TAXES AND DUTIES PAYABLE

	2012		2011	
	TRY	FC	TRY	FC
Corporate tax provision	1.211	-	549	-
Taxes and duties payable	516	-	436	-
	<u>1.727</u>	<u>-</u>	<u>985</u>	<u>-</u>

As at 31 December 2012 and 2011, details of corporate tax provision and prepaid taxes are as follows:

	2012	2011
Current period corporate tax provision	3.633	1.539
Corporate taxes paid in advance during the year	(2.422)	(990)
Corporate tax provision	<u>1.211</u>	<u>549</u>
	2012	2011
Corporate tax provision at the beginning of the year	549	195
Total income tax expense	3.633	1.539
Corporate taxes paid during the year	(2.971)	(1.185)
Corporate tax provision	<u>1.211</u>	<u>549</u>

16. EMPLOYEE BENEFITS

As at 31 December 2012 and 2011, details of reserve for employee benefits are as follows:

	2012	2011
Reserve for employee severance indemnity	282	186
Employee bonus accrual	194	169
Unused vacation provision	69	51
	<u>545</u>	<u>406</u>

Under the Turkish Labor Law, the companies are required to pay termination benefits to each employee who has qualified for such amount at the end of its employment contract. Also, employees who are entitled to retirement are required to be paid retirement pay in accordance with the requirements of Act no. 2422 dated 6 March 1981, Act no. 4447 dated 25 August 1999 and the amended Article 60 of the existing Social Insurance Code no. 506. Some transitional provisions related to the pre-retirement service term were excluded from the scope of the Law since the related law was amended on 23 May 2002. As the retirement pay ceiling is revised semi annually, the ceiling amount of TRY full 3.033,98 effective from 1 January 2013 has been taken into consideration in calculation of provision for employee termination benefits.

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16. EMPLOYEE BENEFITS (Continued)

TAS 19 – “Employee Benefits” requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. Accordingly, the following actuarial assumptions are used in the calculation of the total liability:

	<u>2012</u>	<u>2011</u>
Discount rate	2,12%	3,82%
Inflation rate	5%	5%
Probability of retirement	100%	100%

For the periods ended 31 December 2012 and 2011, movements in retirement pay provision are as follows:

	<u>2012</u>	<u>2011</u>
Balance at the beginning of the period	186	134
Interest cost	6	7
Service cost	61	40
Payment made during the period	(43)	(3)
Actuarial difference	72	8
Balance at the end of the period	<u>282</u>	<u>186</u>

Actuarial gains and losses are recorded to income statement.

The movement of the provision for unused vacation during the periods ended 31 December 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Balance at the beginning of the period	51	30
Provision set during the period (net)	18	21
Balance at the end of the period	<u>69</u>	<u>51</u>

The movement of the bonus provision during the periods ended 31 December 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Balance at the beginning of the period	169	145
Provision set during the period (net)	196	169
Paid during during the period	(169)	(145)
Balance at the end of the period	<u>196</u>	<u>169</u>

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17. PAID-IN CAPITAL AND CAPITAL RESERVES

As at 31 December 2012, nominal share capital of the Company is TRY 16.000 and the share capital of the Company consists of 1.600.000 issued shares with TRY 0.01 nominal value each.

As at 31 December 2012 and 2011, shareholders and their ownership percentages are as follows:

<u>Shareholders</u>	<u>(%)</u>	<u>2012</u>	<u>(%)</u>	<u>2011</u>
İş Finansal Kiralama A.Ş.	78,2311	12.517	78,2311	12.517
Türkiye Sınai Kalkınma Bankası A.Ş.	21,7500	3.480	21,7500	3.480
Trakya Yatırım Holding A.Ş.	0,0063	1	0,0063	1
Camış Yatırım Holding A.Ş.	0,0063	1	0,0063	1
TSKB Gayrimenkul Değerleme A.Ş.	0,0063	1	0,0063	1
Total	<u>100,0000</u>	<u>16.000</u>	<u>100,0000</u>	<u>16.000</u>

The Company does not have preferred shares.

CAPITAL RESERVES

As at 31 December 2012 and 2011, details of capital reserves are as follows:

	<u>2012</u>	<u>2011</u>
Shareholders' equity inflation restatement differences	4.064	4.064
Marketable securities revaluation reserve (*)	4.654	2.478
Bonus shares obtained from associates, subsidiaries and jointly controlled entities	<u>1.213</u>	<u>1.213</u>
Total	<u>9.931</u>	<u>7.755</u>

(*) Resulted from valuation of the Company's available for sale financial assets which are publicly traded.

Marketable Securities Revaluation Reserve:

Marketable securities revaluation reserve arises as a result of valuation of available for sale financial assets at their fair values. In case of disposing a financial asset valued at fair value, a portion of the revaluation reserve in connection with the disposed asset is immediately recognized in profit or loss. If the revalued financial asset is permanently impaired, a portion of the revaluation fund in connection with the impaired financial asset is also recognized in profit or loss.

Bonus shares obtained from associates, subsidiaries and jointly controlled entities:

Bonus shares obtained from associates, subsidiaries and jointly controlled entities arise as a result of the capital increase of the associates, subsidiaries and jointly controlled entities from their capital reserves that are not stemmed from profit or loss.

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18. PROFIT RESERVES

	2012	2011
Legal reserves	1.711	1.299
Extraordinary reserves	26.953	19.683
Total	28.664	20.982

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions. Legal reserves, if less than 50% of the paid-in capital, can only be used to net-off the losses.

19. COMMITMENTS AND CONTINGENCIES

As at 31 December 2012 and 2011, the details of guarantee taken by the Company are as follows:

	2012		2011	
	TRY	FC	TRY	FC
Letters of guarantee	20.540	470	21.980	489
Mortgages	15	-	15	-
Security Pledge	6.000	-	6.000	-
	26.555	470	27.995	489

As at 31 December 2012, TRY 1.505 of letters of guarantee are given to customs, authorities and banks (31 December 2011: TRY 241).

As at 31 December 2012, the Company has commitments in connection with irrevocable commitments amounting to TRY 500 (31 December 2011: None).

As at the reporting date, the Company does not have any guarantees, pledges or mortgages given for the purpose of guaranteeing any third party payables.

Tax inspections of accounting period of the year 2006 has been initiated by the Revenue Administration Department of Ministry of Finance of the Turkish Republic and the Company’s accounts have been also inspected with this way. Based on the inspection on the accounts of the Company, the amount that is recorded under unearned revenue account and recognized as income when they are realized has been subjected to critics. In this respect, disciplinary action was taken against the Company and related reports were sent to the Company. After the Company received the reports, the Company management requested a settlement from Tax Authority. They agreed on TRY 14 for the result of the tax inspection of accounting period of the year 2006, capital and default interest of this amount have been paid in 15 August 2011 and 12 September 2011, respectively. Also, related amounts have been recorded as expense in the income statement.

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19. COMMITMENTS AND CONTINGENCIES (Continued)

As at 31 December 2012, details of derivatives are as follows:

	2012	
	Foreign Currency Amount	TRY
Forward purchase contracts:		
TRY	-	1.960
		<u>1.960</u>
Forward sale contracts:		
USD	950.000	1.694
Euro	100.000	235
		<u>1.929</u>

As at 31 December 2012, maturity profile of derivatives is as follows:

	<u>Short Term</u>	<u>Long Term</u>	<u>Total</u>
Forward purchase contracts	1.960	-	1.960
Forward sale contracts	1.929	-	1.929

As at 31 December 2012, the Company has TRY 21 of unrealized profit and TRY 7 of unrealized loss in relation to the fair value changes of forward transactions designated at through profit or loss (Note 4) (31 December 2011: None).

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

	2012		2011	
	TRY	FC	TRY	FC
Cheques	131.279	18.154	100.457	11.037
Notes	385.368	56.304	264.833	6.348
	<u>516.647</u>	<u>74.458</u>	<u>365.290</u>	<u>17.385</u>

20. SEGMENT REPORTING

The Company provides factoring services only in Turkey. Furthermore, there are no business segments whose financial performance is reviewed by the Company’s management separately. Hence, the Company has not disclosed segment reporting.

21. SUBSEQUENT EVENTS

Ordinary General Assembly Meeting of the Company will be held on 27 March 2013. As per the resolution of the Board of Directors numbered 2013/27, transfer of net distributable current year profit to extraordinary reserves is decided to be submitted to the approval of the General Assembly.

22. OPERATING INCOME

For the periods ended 31 December 2012 and 2011, details of operating income are as follows:

	2012	2011
Interest income from factoring receivables	49.108	32.061
Fee and commission from factoring receivables	2.876	2.739
	<u>51.984</u>	<u>34.800</u>

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23. OPERATING EXPENSES

For the periods ended 31 December 2012 and 2011, details of operating expenses are as follows:

	<u>2012</u>	<u>2011</u>
Personnel expenses	(3.706)	(3.103)
Office rent expenses	(686)	(509)
Attorney –Litigation expenses	(379)	(3)
Consultancy expenses	(170)	(134)
Depreciation and amortisation expenses	(163)	(109)
Vehicle expenses	(153)	(124)
Information technology expenses	(117)	(159)
Donations and charities	(100)	-
Provision for employee severance indemnity	(96)	(59)
Other general administrative expenses	(762)	(647)
	<u>(6.332)</u>	<u>(4.847)</u>

24. OTHER OPERATING INCOME

For the periods ended 31 December 2012 and 2011, details of other operating income are as follows:

	<u>2012</u>	<u>2011</u>
Foreign exchange gains	27.354	41.083
Dividend income	1.272	2.034
Interest income	398	3.238
Collections from non-performing receivables	303	234
Derivative transactions	21	-
Other	520	102
	<u>29.868</u>	<u>46.691</u>

25. FINANCIAL EXPENSES

For the periods ended 31 December 2012 and 2011, details of financial expenses are as follows:

	<u>2012</u>	<u>2011</u>
Interest expense	(31.766)	(25.775)
Fee and commission expense	(602)	(301)
	<u>(32.368)</u>	<u>(26.076)</u>

26. ALLOWANCE FOR NON-PERFORMING RECEIVABLES

For the periods ended 31 December 2012 and 2011, details of provision for non-performing receivables are as follows:

	<u>2012</u>	<u>2011</u>
Specific provision expenses	(8.602)	(186)
	<u>(8.602)</u>	<u>(186)</u>

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27. OTHER OPERATING EXPENSES

For the periods ended 31 December 2012 and 2011, details of other operating expenses are as follows:

	2012	2011
Foreign exchange losses	(27.288)	(40.547)
Losses from derivative financial transactions	(7)	-
Other	(8)	-
	<u>(27.303)</u>	<u>(40.547)</u>

28. TAXATION

For the periods ended 31 December 2012 and 2011, details of income tax expense are as follows:

	2012	2011
Current tax charge	(3.633)	(1.539)
Deferred tax benefit / (expense)	960	(60)
	<u>(2.673)</u>	<u>(1.599)</u>

The reported income tax expenses for the year is different than the amounts computed by applying the statutory tax rate of the Company to profit before income tax of the Company, as shown in the following reconciliation:

	%	2012	%	2011
Net profit for the period		4.574		8.236
Total tax income		<u>2.673</u>		<u>1.599</u>
Profit before tax		7.247		9.835
Income tax using the Company's tax rate	20,00	1.450	20,00	1.967
- Non deductible expenses	20,08	2.511	0,25	25
- Tax exempt income	(3,20)	<u>(1.288)</u>	(4,00)	<u>(393)</u>
Total income tax expense	36,88	<u>2.673</u>	16,26	<u>1.599</u>

Corporate Tax

The Company is subject to the Turkish corporate taxes. Allowance is made in the accompanying financial statements for the estimated charge based on the Company's results for the period.

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

As at 31 December 2012, corporate income tax rate is 20% (31 December 2011: 20%).

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2012 is 20% (2011: 20%). Under the Turkish taxation system, tax losses can be carried forward up to five years. Tax losses can not be carried back to offset profit from previous periods.

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns between 1 April and 25 April of the following year (between 1st and 25th of the following 4. month of the tax year for the tax responsible who have special tax years). Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

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28. TAXATION

Income Withholding Tax:

In addition to corporate taxes, companies should also calculate income withholding taxes and funds surcharge on any dividends distributed, except for companies receiving dividends who are resident companies in Turkey and Turkish branches of foreign companies. The rate of income withholding tax is 10% period between 24 April 2003 and 22 July 2006. This rate was changed to 15% with the cabinet decision numbered 2006/10731 commencing from 22 June 2006. Undistributed dividends incorporated in share capital are not subject to income withholding taxes.

Transfer Pricing:

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 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.

29. EARNINGS PER SHARE

The Company's shares are not traded on the stock exchange market, therefore, earnings per share are not calculated in the accompanying financial statements.

30. OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED FOR UNDERSTANDING OF THE FINANCIAL STATEMENTS

None.

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31. ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS

(a) Capital risk management

The Company manages its capital by sustaining its status as a going concern while maximizing the return to stakeholders through the optimization of the debt and the equity balance.

Although there is no change in the capital risk management strategy in 2012, the debt/equity ratio is 6% as at 31 December 2012 (31 December 2011: 15%). As at 31 December 2012 and 2011, the leverage ratios are as follows;

	2012	2011
Funds borrowed	978.791	377.751
Factoring payables	127	21
Miscellaneous payables	340	277
Total liabilities	979.258	378.049
Banks (-)	(10.836)	(15.298)
Net liabilities	968.442	362.751
Total shareholders' equity	59.723	52.973
Shareholders' equity / liabilities	6%	15%

(b) Categories of financial instruments

	2012	2011
<u>Financial assets:</u>		
Banks	10.836	15.298
Financial assets at fair value through profit or loss:		
- Financial assets held for trading	14	769
- Derivative financial assets	21	-
Factoring receivables and non-performing factoring receivables	1.014.944	404.653
Financial assets available for sale	13.612	10.683
<u>Financial Liabilities:</u>		
Funds borrowed	(978.791)	(377.751)
Financial assets at fair value through profit or loss:		
-Derivative financial liabilities	(7)	-
Factoring payables	(127)	(21)
Miscellaneous payables	(340)	(277)

(c) Financial risk management objectives

The Company management is responsible for coordinating access to domestic and international markets, monitoring and managing the financial risks relating to the operations of the Company. Such risks include market risk (including currency risk, fair value interest rate risk and price risk), liquidity risk and credit risk.

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31. ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (continued)

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates (refer to section e), interest rates (refer to section f) and equity prices will affect the Company’s income or the value of its holdings of financial instruments. At the Company level, market risk exposures are measured by sensitivity analysis.

The Company uses derivative instruments to minimize the effects of such risks and it also uses such instruments for hedging. The Company does not enter into or trade any financial instruments (including derivative financial instruments) for speculative purposes.

There has been no change in the Company’s exposure to market risks or the method it uses to manage and measure such risks.

(e) Currency risk management

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company has exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The Company manages its foreign currency risk arising from its operations and cash flows of financial contracts by monitoring in a timely manner.

As at 31 December 2012 and 2011, details of foreign currency denominated assets and liabilities are as follows:

<u>31 December 2012</u>	<u>USD</u> <u>000</u>	<u>Euro</u> <u>000</u>	<u>GBP</u> <u>000</u>	<u>TRY</u> <u>Equivalent</u>
Banks	4.973	647	20	10.443
Factoring receivables (*)	41.225	9.072	-	94.804
Total assets	46.198	9.719	20	105.247
Factoring Payables	-	(31)	-	(73)
Funds borrowed (**)	(44.646)	(9.232)	-	(101.299)
Miscellaneous payables	-	-	(14)	(40)
Total liabilities	(44.646)	(9.263)	(14)	(101.412)
Balance sheet position	1.522	456	6	3.835
Off balance sheet position	(950)	(100)	-	(1.929)
Net foreign currency position	602	356	6	1.906

(*) Foreign currency indexed factoring receivables amounting to USD 35.562 Thousand and Euro 1.478 Thousand (Total: TRY 66.868) are presented in TRY column in the accompanying financial statements.

(**) Foreign currency indexed funds borrowed amounting to USD 8.958 Thousand and Euro 207 Thousand (Total: TRY 16.456) are presented in TRY column in the accompanying financial statements.

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31. ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)

<u>31 December 2011</u>	USD 000	Euro 000	GBP 000	TRY Equivalent
Banks	7.196	567	6	14.995
Factoring receivables (*)	27.667	1.369	-	55.606
Other Assets	-	2	34	104
Total assets	34.863	1.938	40	70.705
Factoring Payables	-	(8)	-	(21)
Funds borrowed	(32.541)	(1.621)	-	(65.429)
Miscellaneous payables	-	(12)	(14)	(69)
Total liabilities	(32.541)	(1.641)	(14)	(65.519)
Balance sheet position	2.322	297	26	5.186
Off balance sheet position	-	-	-	-
Net foreign currency position	2.322	297	26	5.186

(*) Foreign currency indexed factoring receivables amounting to USD 27.667 Thousand and Eur 235 Thousand (Total: TRY 52.835) are presented in TRY column in the accompanying financial statements.

Foreign currency sensitivity

The Company is mainly exposed to USD and Euro exchange rate risks. The table below indicates the sensitivity of the Company to USD and Euro when there is a 15% of change in such exchange rates. The Company uses 15% of rate change when it reports its foreign currency risk to the top management and this rate represents the top management’s expectation on the exchange rate fluctuations. Sensitivity analysis made in relation to the Company’s exposure to foreign currency at the reporting period is determined based on the fluctuations at the beginning of the fiscal year and the analysis are fixed during the reporting period. Positive amount refers to an increase in the net profit.

	Profit / (Loss)		Equity(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
<u>2012</u>				
15% change of the USD against TRY				
1- Net USD asset/liability	415	(415)	415	(415)
2- Hedged portion of TRY against USD risk (-)	(254)	254	(254)	254
3- Net effect of USD (1+ 2)	161	(161)	161	(161)
15% change of the Euro against TRY				
4- Net Euro asset/liability	161	(161)	161	(161)
5- Hedged portion of TRY against Euro risk (-)	(35)	35	(35)	35
6- Net effect of Euro (4+5)	126	(126)	126	(126)
15% change of other currencies against TRY				
7- Net other currencies asset/liability	3	(3)	3	(3)
8- Hedged portion of TRY against other currency risk (-)	-	-	-	-
9- Net effect of other currencies (7+8)	3	(3)	3	(3)
TOTAL (3+6+9)	290	(290)	290	(290)

(*) Includes profit/loss effect.

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31. ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)

(e) Currency risk management (Continued)

Foreign currency sensitivity (Continued)

	Profit / (Loss)		Equity ^(*)	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign Currency
<u>2011</u>				
15% change of the USD against TRY				
1- Net USD asset/liability	658	(658)	658	(658)
2- Hedged portion of TRY against USD risk (-)	-	-	-	-
3- Net effect of USD (1+ 2)	658	(658)	658	(658)
15% change of the Euro against TRY				
4- Net Euro asset/liability	109	(109)	109	(109)
5- Hedged portion of TRY against Euro risk (-)	-	-	-	-
6- Net effect of Euro (4+5)	109	(109)	109	(109)
15% change of other currencies against TRY				
7- Net other currencies asset/liability	5	(5)	5	(5)
8- Hedged portion of TRY against other currency risk (-)	-	-	-	-
9- Net effect of other currencies (7+8)	5	(5)	5	(5)
TOTAL (3+6+9)	772	(772)	772	(772)

(*) Includes profit/loss effect.

(f) Interest risk management

The Company is exposed to interest rate risk as the Company borrows funds at both fixed and variable rates. Such risk is managed by making a proper classification between fixed and variable rate liabilities.

Interest rate sensitivity

The interest rate sensitivity analysis below is based on the Company’s exposure to interest rate risk at the reporting date and estimated interest rate fluctuations at the beginning of the fiscal year, and is fixed during the reporting period. The Company management makes its sensitivity analysis based on a 100 base point interest rate fluctuation scenario. This rate is also used in reporting to the top management of the Company.

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31. ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)

(f) Interest risk management (Continued)

As at 31 December 2012 and 2011, the interest rate profile of the Company’s interest-bearing financial instruments is as follows:

Interest Position Table		
	2012	2011
<i>Fixed rate instruments</i>		
Financial assets:		
Banks	9.793	14.139
Factoring receivables	628.306	303.743
Financial liabilities:		
Funds borrowed	101.299	89.445
<i>Variable rate instruments</i>		
Financial assets:		
Factoring receivables	386.638	100.910
Financial liabilities:		
Funds borrowed	877.492	288.306

If interest rates were 100 base points higher at the reporting date and all other variables were fixed:

- Interest income from variable rate factoring contracts would increase by TRY 3.813 (31 December 2011: TRY 996).
- Interest expense from variable rate funds borrowed (borrowings) would increase by TRY 8.775 (31 December 2011: TRY 2.869).

(g) Other price risks

The Company is exposed to equity share price risks because of equity investments. Equity securities are held especially for strategic purposes rather than trading purposes. These investments are not traded by the Company.

Equity price sensitivity

Sensitivity analysis below is determined based on the equity share price risks exposed as at the reporting date.

Equity price risk is the risk that the fair value of equities decreases as a result of changes in the levels of equity indices and the value of individual stocks.

If data used in the valuation method were 15% higher/lower and all other variables were fixed as at reporting date:

Revaluation reserve under equity would increase/decrease by TRY 697 (except tax effect) due to changes in the fair value of equity shares which is traded on Istanbul Stock Exchange (“ISE”), shown as marketable securities available for sale in the accompanying financial statements and measured by market value in consequence of potential fluctuations in the index (31 December 2011: TRY 664).

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31. ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)

(h) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company’s exposure to credit risks and credit ratings of its counterparties are monitored periodically. Credit exposure is controlled by counterparty limits that are reviewed and approved by the Board of Directors.

Factoring receivables consist of a large number of customers, spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

Sectoral allocation of factoring receivables is as follows:

	2012 (%)	2011 (%)
Energy, gas, water and petroleum resources	55,21	13,37
Household appliance	8,30	3,72
Motor vehicles	6,51	4,73
Metal industry	5,82	10,84
Chemical, plastic and pharmacy	3,75	2,86
Textiles	3,46	1,79
Computer systems	3,37	26,83
Food and beverages	2,42	11,61
Other services	2,42	15,26
Health	1,78	1,32
Forestry products	0,74	1,57
Rubber products manufacturing	0,56	2,10
Printing industry	0,46	1,10
Other	5,20	2,90
	<u>100,00</u>	<u>100,00</u>

As at 31 December 2012, approximately 55% of factoring receivables consists of receivables from a risk Group amounting to TRY 559.676. The Company is exposed to a concentration risk because of higher proportion of receivables from that risk group.

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31. ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)

(h) Credit risk management (Continued)

As at 31 December 2012, details of exposure to credit risk based on categories of financial instruments are as follows:

31 December 2012	<u>Factoring Receivables</u>		
	Related party	Third party	Cash at bank
Exposure to maximum credit risk as at reporting date (*)	24.090	990.854	10.8
- The portion of maximum risk covered by guarantee	-	854	
A. Net carrying value of financial assets which are neither impaired nor overdue	24.090	990.767	10.8
- The portion covered by guarantee		854	
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	87	
C. Net carrying value of financial assets which are overdue but not impaired	-	-	
- The portion covered by guarantee	-	-	
D. Net carrying value of impaired assets	-	-	
- Overdue (gross book value)	-	10.902	
- Impairment (-)	-	(10.902)	
- Covered portion of net book value (with letter of guarantee etc) (**)	-	-	
- Not past due (gross book value)	-	-	
- Impairment (-)	-	-	
- Covered portion of net book value (with letter of guarantee etc) (**)	-	-	
E. Off balance sheet items with credit risks	-	-	

(*) Credit enhancing items such as; guarantees received, are not taken into account in the calculation.

(**) Includes collaterals for the assets impaired but not overdue.

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31. ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)

(h) Credit risk management (Continued)

As at 31 December 2011, details of exposure to credit risk based on categories of financial instruments are as follows:

31 December 2011	<u>Factoring Receivables</u>			Financial assets at fair value through profit or loss
	Related party	Third party	Cash at banks	
Exposure to maximum credit risk as at reporting date (*)	6.361	398.292	15.298	769
- The portion of maximum risk covered by guarantee	-	14.182	-	-
A. Net carrying value of financial assets which are neither impaired nor overdue	6.361	397.678	15.298	769
- The portion covered by guarantee	-	14.182	-	-
B. Net carrying value of financial assets that are restricted, otherwise which will be regarded as overdue or impaired	-	614	-	-
C. Net carrying value of financial assets which are overdue but not impaired	-	-	-	-
- The portion covered by guarantee	-	-	-	-
D. Net carrying value of impaired assets	-	-	-	-
- Overdue (gross book value)	-	2.603	-	-
- Impairment (-)	-	(2.603)	-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	-	-	-
- Not past due (gross book value)	-	-	-	-
- Impairment (-)	-	-	-	-
- Covered portion of net book value (with letter of guarantee etc) (**)	-	-	-	-
E. Off balance sheet items with credit risks	-	-	-	-

(*) Credit enhancing items such as; guarantees received, are not taken into account in the calculation.

(**) Includes collaterals for the assets impaired but not overdue.

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31. ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)

(i) Liquidity risk management

The Company management has built an appropriate liquidity risk management framework for the management of the Company’s short, medium and long term funding and liquidity management requirements. The Company manages its liquidity risk by maintaining adequate reserves and reserve borrowing facilities by constantly monitoring forecasts and actual cash flows and matching the maturity profile of financial assets and liabilities.

Liquidity risk table

The following table details the Company’s expected maturity for its non-derivative financial assets and liabilities. The tables below have been prepared based on the earliest dates for collections and disbursements of the Company’s assets and liabilities. Interest amounts to be collected and disbursed on the Company’s assets and liabilities have also been included in the table below:

2012

<u>Contractual Maturities</u>	<u>Carrying Amount</u>	<u>Contractual Cash Flows (I+II+III+IV)</u>	<u>Less than 3 Months (I)</u>	<u>3-12 Months (II)</u>	<u>1-5 Years (III)</u>	<u>More than 5 Years (IV)</u>
Non-derivative financial assets						
Banks	10.836	10.836	10.836	-	-	-
Factoring receivables	1.014.944	1.020.284	858.075	161.676	533	-
	<u>1.025.780</u>	<u>1.031.120</u>	<u>868.911</u>	<u>161.676</u>	<u>533</u>	<u>-</u>
Non-derivative financial liabilities						
Factoring payables	127	127	127	-	-	-
Funds borrowed	978.791	984.995	912.612	72.383	-	-
Miscellaneous payables and other liabilities	340	340	340	-	-	-
	<u>979.258</u>	<u>985.462</u>	<u>913.079</u>	<u>72.383</u>	<u>-</u>	<u>-</u>

The Company makes payments based on contractual maturities.

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31. ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)

(i) Liquidity risk management (Continued)

2011

<u>Contractual Maturities</u>	Carrying Amount	Contractual Cash Flows (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Non-derivative financial assets						
Banks	15.298	15.339	15.339	-	-	-
Factoring receivables	404.653	408.459	360.006	48.453	-	-
	<u>419.951</u>	<u>423.798</u>	<u>375.345</u>	<u>48.453</u>	<u>-</u>	<u>-</u>
Non-derivative financial liabilities						
Factoring payables	21	21	21	-	-	-
Funds borrowed	377.751	387.879	367.229	18.945	1.705	-
Miscellaneous payables	277	277	277	-	-	-
	<u>378.049</u>	<u>388.177</u>	<u>367.527</u>	<u>18.945</u>	<u>1.705</u>	<u>-</u>

The following table details the maturities of derivative financial assets and liabilities as at 31 December 2012 (31 December 2011: None).

<u>Contractual Maturities</u>	Net Cash Outflow	Contractual Cash Flows (I+II+III+IV)	Less than 3 Months (I)	3-12 Months (II)	1-5 Years (III)	More than 5 Years (IV)
Derivative cash inflows	31	1.960	1.725	235	-	-
Derivative cash outflows		(1.929)	(1.694)	(235)		

(j) Fair value of financial instruments

The Company management estimates that the carrying amount of the financial assets and liabilities approximate to their fair value.

Fair value of the financial instruments is determined based on the reliable data provided from financial markets in Turkey. Fair value of other financial assets is determined by the benchmarking market value of a similar financial asset or by assumption methods which includes discounting future cash flows with current interest rates.

(CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS AND RELATED DISCLOSURES AND FOOTNOTES ORIGINALLY ISSUED IN TURKISH, SEE NOTE 2.1)

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31. ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)

(j) Fair value of financial instruments

The table below refers to the comparison of carrying amounts and fair values of financial instruments which are carried at other than their fair value in the financial statements.

	Financial assets and liabilities held for trading	Financial assets at amortized cost	Loans and receivables	Financial liabilities at amortised cost	Carrying amount	Fair value	Note
31 December 2012							
<u>Financial Assets</u>							
Banks	-	10.836	-	-	10.836	10.836	5
Financial assets at fair value through profit or loss							
- Financial assets held for trading	14	-	-	-	14	14	4
- Derivative financial assets held for trading	21	-	-	-	21	21	4
Factoring receivables and non-performing factoring receivables	-	-	1.014.944	-	1.014.944	1.014.944	7
<u>Financial liabilities</u>							
Derivative financial liabilities held for trading	7	-	-	7	7	7	4
Factoring payables	-	-	-	127	127	127	7
Miscellaneous payables	-	-	-	340	340	340	14
Funds borrowed	-	-	-	978.791	978.791	978.791	13
	Financial assets and liabilities held for trading	Financial assets at amortized cost	Loans and receivables	Financial liabilities at amortised cost	Carrying amount	Fair value	Note
31 December 2011							
<u>Financial Assets</u>							
Banks	-	15.298	-	-	15.298	15.298	5
Financial assets at fair value through profit or loss							
- Financial assets held for trading	769	-	-	-	769	769	4
Factoring receivables and non-performing factoring receivables	-	-	404.653	-	404.653	404.653	7
<u>Financial liabilities</u>							
Factoring payables	-	-	-	21	21	21	7
Miscellaneous payables	-	-	-	277	277	277	
Funds borrowed	-	-	-	377.651	377.651	377.651	13

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31. ADDITIONAL INFORMATION ABOUT FINANCIAL INSTRUMENTS (Continued)

(k) 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
Financial assets designated at fair value through profit or loss	-	14	-	14
Derivative financial assets held for trading	-	21	-	21
Available-for-sale financial assets (*)	12.797	-	277	13.074
Total financial assets carried at fair value	12.797	35	277	13.109
Derivative financial liabilities held for trading	-	7	-	-
Total financial liabilities carried at fair value	-	7	-	-

(*) As at 31 December 2012, securities that are not publicly traded amounting to TRY 538 have been measured at cost.

31 December 2011	Level 1	Level 2	Level 3	Total
Financial assets designated at fair value through profit or loss	-	769	-	769
Available-for-sale financial assets (*)	9.922	-	227	10.149
Total financial assets carried at fair value	9.922	769	227	10.918
Derivative financial liabilities held for trading	-	-	-	-
Total financial liabilities carried at fair value	-	-	-	-

(*) As at 31 December 2011, securities that are not publicly traded amounting to TRY 534 have been measured at cost.