

**YATIRIM FİNANSAL KİRALAMA  
ANONİM ŞİRKETİ**

FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
31 DECEMBER 2005

## **YATIRIM FİNANSAL KİRALAMA A.Ş.**

### **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors of  
Yatırım Finansal Kiralama A.Ş

- 1) We have audited the accompanying balance sheet of Yatırım Finansal Kiralama A.Ş. (“the Company”) as of 31 December 2005 and the related statements of income, shareholders’ equity and cash flows for the year then ended, all expressed in the equivalent purchasing power of the New Turkish Lira as of 31 December 2005. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- 2) We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- 3) In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of 31 December 2005, and the results of its operations and its cash flows for the year then ended, in conformity with International Financial Reporting Standards.

**DENETİM SERBEST MALİ MÜŞAVİRLİK A.Ş.**  
Member of **DELOITTE TOUCHE TOHMATSU**

İstanbul, 14 April 2006

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## BALANCE SHEET AS AT 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

	<u>Note</u>	31 December <u>2005</u>	31 December <u>2004</u>
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	4	1,947,574	470,774
Finance lease receivables (net)	5	15,229,184	7,887,133
Investments held for trading	7	1,133	-
Other receivables and current assets (net)	6	<u>676,274</u>	<u>540,018</u>
Total Current Assets		17,854,165	8,897,925
<b>LONG TERM ASSETS</b>			
Finance lease receivables (net)	5	12,531,540	9,639,320
Property, plant and equipment (net)	8	406,974	435,322
Other intangible assets (net)	9	<u>40,788</u>	<u>22,638</u>
Total Long Term Assets		12,979,302	10,097,280
<b>TOTAL ASSETS</b>		<u><b>30,833,467</b></u>	<u><b>18,995,205</b></u>

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

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## BALANCE SHEET AS AT 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

	<u>Note</u>	<u>31 December 2005</u>	<u>31 December 2004</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Bank loans	10	18,948,922	10,246,586
Trade payables		1,769,902	2,104,413
Advances received		-	-
Other payables and expense accruals	11	71,604	50,309
Total Current Liabilities		<u>20,790,428</u>	<u>12,401,308</u>
<b>LONG TERM LIABILITIES</b>			
Bank loans	10	4,506,557	925,078
Trade payables		1,316,221	3,515,922
Provision for employment termination benefits	13	5,151	-
Other Trade payables		-	112,768
Total Long Term Liabilities		<u>5,827,929</u>	<u>4,553,768</u>
<b>EQUITY</b>			
Share capital	14	11,626,852	9,626,490
Legal reserves		96,168	96,168
Net profit		174,619	(1,707,751)
Accumulated losses		(7,682,529)	(5,974,778)
Total Equity		<u>4,215,110</u>	<u>2,040,129</u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><u>30,833,467</u></u>	<u><u>18,995,205</u></u>

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

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## INCOME STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New of Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

	<u>Note</u>	<u>2005</u>	<u>2004</u>
Lease income		2,701,386	634,032
Operating expenses (-)	17	(1,729,518)	(1,312,580)
Other operating expenses (-)	20	-	(805,999)
Other income	18	36,458	38,888
Operating profit		<u>1,008,326</u>	<u>(1,445,659)</u>
Finance expense (net)	19	(763,623)	(75,318)
Monetary loss		<u>(70,084)</u>	<u>(180,774)</u>
Profit before tax		174,619	(1,707,751)
Income tax expense		-	-
Net profit for the year		<u>174,619</u>	<u>(1,707,751)</u>

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

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

	<u>Notes</u>	<u>Year Ended 31 December 2005</u>	<u>Year Ended 31 December 2004</u>
<b>OPERATING ACTIVITIES</b>			
Loss for the year		174,619	(1,707,751)
Adjustments to reconcile net profit to net cash provided by operating activities:			
- Depreciation of property, plant and equipment	8	108,054	54,984
- Amortization of other intangible assets	9	7,898	1,408
- Provision for employment termination benefits		5,151	-
- Allowance for doubtful receivables		-	-
- Gain/Loss on disposal of property, plant and equipment	20	-	805,999
- Investment income		-	-
- Interest income	19	(10,674)	(184,559)
- Interest expense	19	1,005,716	231,177
- Change in interest accrual on leasing receivables		(71,031)	(74,310)
Operating cash flows before movements in working capital		1,219,733	(873,052)
- (Increase) / decrease in leasing receivables		(10,163,239)	(17,438,466)
- (Increase) / decrease in other receivables and current assets		(136,255)	(536,888)
- (Increase) / decrease in other long term assets		-	-
- Increase / (decrease) in trade payables		(2,647,676)	5,728,763
- Increase / (decrease) in other payables and current liabilities		21,990	49,043
Cash generated from / (used in) operations		(11,705,447)	(13,070,600)
- Finance expenses paid		(788,369)	-
<b>Net cash provided from / (used in) operating activities</b>		<b>(12,493,816)</b>	<b>(13,070,600)</b>
<b>INVESTING ACTIVITIES</b>			
- Proceeds on disposal of available for sale investments		(1,133)	-
- Purchases of property, plant and equipment	8	(79,710)	(513,626)
- Purchases of intangible assets	9	(26,049)	(24,045)
- Proceeds on disposal of property, plant and equipment sold		-	129,718
- Interest received		10,651	184,559
<b>Net cash used in investing activities</b>		<b>(96,241)</b>	<b>(223,394)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
- New borrowings raised (net)	10	12,066,494	10,940,486
- Capital increase		2,000,363	2,626,080
- Dividends paid		-	-
<b>Net cash (used in) / provided from financing activities</b>		<b>14,066,857</b>	<b>13,566,566</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>1,476,800</b>	<b>272,571</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF YEAR</b>	4	470,774	198,203
<b>CASH AND CASH EQUIVALENTS AT THE END OF YEAR</b>	4	<b>1,947,574</b>	<b>470,774</b>

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

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

	<u>Capital</u>	<u>Legal Reserves</u>	<u>Accumulated Loss</u>	<u>Total Equity</u>
Balance as of 1 January 2004	7,000,410	96,168	(5,974,778)	1,121,800
Capital increase	2,626,080	-	-	2,626,080
Dividends paid	-	-	-	-
Net loss for the year	-	-	(1,707,751)	(1,707,751)
Balance as of 31 December 2004	<u>9,626,490</u>	<u>96,168</u>	<u>(7,682,529)</u>	<u>2,040,129</u>
Capital increase	2,000,362	-	-	2,000,362
Dividends paid	-	-	-	-
Net profit for the year	-	-	174,619	174,619
Balance as of 31 December 2005	<u><u>11,626,852</u></u>	<u><u>96,168</u></u>	<u><u>(7,507,910)</u></u>	<u><u>4,215,110</u></u>

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

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

### 1. GENERAL INFORMATION

Yatırım Finansal Kiralama A.Ş. (“the Company”) was established in 1993 as Marmara Finansal kiralama A.Ş. in Turkey to engage primarily in the financial leasing sector. The Company changed its name as Yatırım Finansal Kiralama A.Ş. on 1997 and operates under the provisions of the Turkish Financial Leasing Law number 3226.

The Company’s major shareholder is TE Holding A.Ş.

### 2. BASIS OF THE FINANCIAL STATEMENTS

#### ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (“the IASB”) and the International Financial Reporting Interpretations Committee (“IFRIC”) of the IASB that are relevant to its operations and effective for accounting periods beginning on 1 January 2005. The adoption of these new and revised Standards and Interpretations has resulted in changes to the Company’s accounting policies in the following area that have affected the amounts reported for the current or prior years:

- Financial Instruments (IAS 39 Revised)

The impact of these changes in accounting policies is discussed in detail later in this note.

At the date of authorization of these financial statements, the following Standards and Interpretations were in issue but not yet effective:

IFRS 6	Exploration for and Evaluation of Mineral Resources
IFRS 7	Financial Instruments: Disclosures
IFRIC 4	Determining whether an Arrangement contains a Lease
IFRIC 5	Right to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IFRIC 6	Liabilities Arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
IFRIC 7	Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies
IFRIC 8	Scope of IFRS 2



# YATIRIM FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

### 2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont'd)

The Managers of the Company anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the Company.

Application of revised International Accounting Standard No. 39 “Financial Instruments: Recognition and Measurement” (“Revised IAS 39”):

Revised IAS 39 became applicable to annual periods beginning on or after 1 January 2005. Revised IAS 39 requires entities to designate a previously recognized financial asset or financial liability as a financial asset or financial liability at fair value through profit or loss or available for sale. Revised IAS 39 required that any financial instrument designated as at fair value through profit or loss or available for sale, the entity shall restate the financial assets or financial liability using new definition, new designation in the comparative financial statements.

The Company had certain available for sale financial assets, whose gains or losses arising from changes in their fair values were recognized in period profit and loss. As Revised IAS 39 requires gains or losses on an available for sale financial asset to be recognized directly in equity, the Company has restated its comparative financial statements in accordance with the provisions of Revised IAS 39 explained in the paragraph above.

### SIGNIFICANT ACCOUNTING POLICIES

#### Basis of Presentation of Financial Statements

The accompanying financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”). The Company and its Turkish subsidiaries maintain their books of account and prepare their statutory financial statements in accordance with accounting principles in the Turkish Commercial Code and tax legislation. The accompanying financial statements are based on the statutory records, with adjustments and reclassifications, including restatement for the changes in the general purchasing power of the Turkish Lira in accordance with International Accounting Standard No. 29 “Financial Reporting in Hyperinflationary Economies” (“IAS 29”), for the purpose of fair presentation in accordance with Statements of IFRS.

The principal accounting policies adopted are set out below.

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Inflation accounting

Restatement adjustments have been made to the financial statements of the Company and its Turkish subsidiaries to compensate for the effect of changes in the general purchasing power of the Turkish Lira, as of 31 December 2005, in accordance with International Accounting Standard No. 29 “Financial Reporting in Hyperinflationary Economies” (“IAS 29”).

IAS 29 requires that financial statements prepared in the currency of a hyperinflationary economy be stated in terms of the measuring unit current at the balance sheet date and the corresponding figures for previous periods to be restated in the same terms. One characteristic that necessitates the application of IAS 29 is a cumulative three-year inflation rate approaching or exceeding 100%. Such cumulative rate in Turkey is 35.61% for the three years ended 31 December 2005 based upon the wholesale price index announced by the Turkish State Institute of Statistics (“SIS”).

Although the three year cumulative inflation rate was below the rate indicated in the preceding paragraph, since the majority of the people keep their savings in foreign currencies, the prices of services and goods are set in terms of foreign currencies, interest rates and wages are expressed in terms of the inflation indexes, and the market prices are determined taking into account the losses due to the credit sales including the short term transactions, the economy shows the characteristics of a hyperinflationary environment and therefore IAS 29 needs to be applied to the accompanying financial statements.

The restatement was calculated by means of conversion factors derived from the wholesale price index announced by SIS (1994 index: 100). Such index and the conversion factors used to restate the accompanying consolidated financial statements as of the end of each year to 31 December 2005 are given below:

	<u>Index</u>	<u>Conversion Factor</u>
31 December 2002	6,478.8	1.3561
31 December 2003	7,382.1	1.1901
31 December 2004	8,403.8	1.0454
31 December 2005	8,785.7	1.0000

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Inflation accounting (cont'd)

The annual change in the Turkish Lira exchange rate against the US Dollar can be compared with the rates of general price inflation in Turkey according to the WPI as set out below:

<u>Years</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Depreciation / (appreciation) of TL against USD - %	(0.02%)	(3.85%)	(14.6%)	13.5%
WPI inflation - %	4.5%	13.8%	13.9%	30.8%

At 31 December 2005 the exchange rate announced by the Turkish Central Bank (which is a market rate) was YTL 1.3418 = USD 1 (31 December 2004: YTL 1.3421 = USD).

The main guidelines for the IAS 29 restatement are as follows:

- All balance sheet amounts not already expressed in terms of the measuring unit current at the balance sheet date are restated by applying a general price index (SSI). Corresponding figures for previous periods are similarly restated.
- Monetary assets and liabilities are not restated because they are already expressed in terms of the measuring unit current at the balance sheet date. Monetary items are money held and items to be received or paid in money.
- Non-monetary assets and liabilities are restated by applying, to the initial acquisition cost and any accumulated depreciation, the change in the general price index from the date of acquisition or initial recording to the balance sheet date. Hence, property, plant and equipment, investments and similar assets are restated from the date of their purchase, not to exceed their market value. Depreciation is similarly restated. The components of shareholders' equity are restated by applying the applicable general price index from the dates the components were contributed or otherwise arose.
- All items in the statement of income, except non monetary balance sheet items that have effect on statement of income, are restated by applying the relevant conversion factors from the dates when the income and expense items were initially recorded in the financial statements.
- The gain or loss on the net monetary position is the result of the effect of general inflation and is the difference resulting from the restatement of non-monetary assets, shareholders' equity and income statement items. The gain or loss on the net monetary position is included in net income.

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Revenue recognition

Finance income under finance leases represents the part of unearned income amortized over the lease term by applying a rate of return that is constant during the lease term. The unearned income represents the excess of total finance lease rental payments over the cost of the leased asset. Rate of return represents the discount rate of such rental payments to the cost of the leased asset at the lease commencement date.

#### Finance lease & provision for possible lease receivable losses

Leasing receivables are presented at net realizable values. Provisions are allocated according to collateral, management's experience and economic conditions. Uncollectible receivables are provisioned in the related year.

#### Property, plant and equipment

Property, plant and equipment acquired are carried at indexed historical cost in terms of purchasing power on 31 December 2005 less accumulated depreciation and any accumulated impairment losses. Depreciation is charged so as to write off the cost or valuation of assets, other than land, over their estimated useful lives, using the straight line method.

Vehicles	20%
Furniture and fittings	20%
Leasehold improvements	20%
Other	20%

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss. Expenses for the repairment of property, plant and equipment are normally charged against income.

#### Impairment of tangible and intangible assets

At each balance sheet date, the Company reviews the carrying amounts of its tangible and intangible assets carried at cost less accumulated depreciation to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. 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.

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Impairment of tangible and intangible assets (cont'd)

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

#### Borrowing costs

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

#### Taxation and deferred income taxes

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognized on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized. Such assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Taxation and deferred income taxes (cont'd)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realized. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred tax assets and liabilities are also offset.

#### Provision for employment termination benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company.

International Accounting Standard No. 19 (revised) "Employee Benefits" ("IAS 19") has been applied in the accompanying financial statements as detailed in Note 17.

#### Related parties

For the purpose of the accompanying financial statements, shareholders of the Company and related companies, their directors and key management personnel and any companies to which they are known to be related, are considered and referred to as related companies.

#### Foreign currency transactions

For the purpose of the financial statements, the results and financial position of each entity are expressed in YTL, which is the functional currency of the Company, and the presentation currency for the financial statements.

Transactions in currencies other than YTL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period.

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Dividends

Dividends receivable are recognized as income in the period when they are declared and dividends payable are recognized as an appropriation of profit in the period in which they are declared. The dividends are subject to approval by shareholders at the Annual General Meeting.

#### Leasing - the Company as Lessee

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. Finance charges are charged to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalized in accordance with the Company's general policy on borrowing costs.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

#### Financial instruments

Financial assets and financial liabilities are recognized on the Company's balance sheet when the Company becomes a party to the contractual provisions of the instrument.

#### Trade and other receivables

Trade and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The Company's management considers that the carrying amount of trade and other receivables approximates their fair value.

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Financial instruments (cont'd)

##### Investments

Investments are recognized and derecognized on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value, plus directly attributable transaction costs.

Investments other than held-to-maturity debt securities are classified as either investments held for trading or as available-for-sale, and are measured at subsequent reporting dates at fair value except available-for-sale investments that do not have quoted prices in active markets and whose fair values cannot be reliably measured are stated at cost and restated to the equivalent purchasing power. Where securities are held for trading purposes, gains and losses arising from changes in fair value are included in profit or loss for the period. For available-for-sale investments, gains and losses arising from changes in fair value are recognized directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognized in equity is included in the profit or loss for the period. Impairment losses recognized in profit or loss for equity investments classified as available-for-sale are not subsequently reversed through profit or loss. Impairment losses recognized in profit or loss for debt instruments classified as available-for-sale are subsequently reversed if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

##### Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which their maturities are three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value.

##### Financial liabilities and equity

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.



# YATIRIM FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Company's accounting policy for borrowing costs (see above).

#### Lease contract receivables

Lease contract receivables are carried at anticipated realizable value. The allowance for doubtful receivables is based on management's evaluation of the receivables, including such factors as the volume and type of receivable outstanding, collateral obtained, past experience and economic conditions. Bad debts are written off during the year in which they are identified.

#### Trade and other payables

Trade and other payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. The directors consider that the carrying amount of trade and other payables approximates their fair value.

#### Credit Risk

The Company's credit risk is primarily attributable to its lease contract receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Company's management based on prior experience and the current economic environment. The credit risk on liquid funds is limited because the funds are invested in time deposits for short term purposes.

#### Market Risk

Market risk is the risk that changes in the level of interest rates, currency exchange rates or the price of securities and other financial contracts will have an adverse financial impact. The main risks within the Company's activities are interest rate and exchange rate risk. Turkish interest rates can be volatile, and a substantial part of the Company's balance sheet is denominated in currencies other than the Turkish Lira (principally the US dollar and Euro).

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

### 3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

#### Liquidity Risk

The Company is generally raising funds by liquidating its short term financial instruments such as collecting its receivables and disposing of investments. The Company's proceedings from these instruments generally approximate their fair values.

The Company obtains funds from its bankers and its major shareholder if short of liquidity.

#### Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, and it is probable that the Company will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

#### Offsetting

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

#### Use of estimates

The preparation of financial statements in conformity with International Financial Reporting Standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

### 4. CASH AND CASH EQUIVALENTS

	31 December <u>2005</u>	31 December <u>2004</u>
Cash on hand	3,080	1,361
Cash at banks	1,944,494	469,413
	<u>1,947,574</u>	<u>470,774</u>

	31 December <u>2005</u>	31 December <u>2004</u>
Cash at banks		
TL Demand Deposits	21,450	2,892
Foreign Currency Demand Deposits	168,822	3,344
Time Deposits	1,754,222	463,177
	<u>1,944,494</u>	<u>469,413</u>

#### Time Deposits:

<u>Currency Type</u>	<u>Currency Amount</u>	<u>Interest Rate %</u>	<u>Maturity</u>	31 December <u>2005</u>
USD	256,240	4,25%	02.01.2006	343,823
EUR	888,440	2,50%	02.01.2006	1,410,399
				<u>1,754,222</u>

<u>Currency Type</u>	<u>Currency Amount</u>	<u>Interest Rate %</u>	<u>Maturity</u>	31 December <u>2004</u>
USD	255,321	1%	03.01.2005	428,437
YTL	33	19%	03.01.2005	34,740
				<u>463,177</u>

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

### 5. FINANCE LEASE RECEIVABLES (NET)

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2005	31 December 2004	31 December 2005	31 December 2004
Amounts receivable under finance leases:				
Within one year	17,806,191	9,296,698	15,229,184	7,887,133
In the second to fifth year inclusive	13,723,110	10,329,660	12,531,540	9,639,320
Over five years	-	-	-	-
Less: unearned finance income	(3,735,448)	(2,065,270)	-	-
Less: allowance for possible losses	(33,129)	(34,635)	-	-
Present value of minimum lease payments receivable	<u>27,760,724</u>	<u>17,526,454</u>	<u>27,760,724</u>	<u>17,526,453</u>
Analysed as:				
Non-current finance lease receivables (recoverable after 12 months)			12,531,540	9,639,320
Current finance lease receivables (recoverable within 12 months)			<u>15,229,184</u>	<u>7,887,133</u>
			<u>27,760,724</u>	<u>17,526,453</u>

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

### 6. OTHER RECEIVABLES AND CURRENT ASSETS (NET)

	31 December 2005	31 December 2004
VAT carried forward	521,451	298,714
Prepaid taxes	8	15,351
Prepaid expenses	13,018	10,720
Equipment to be leased	141,133	215,021
Other current assets	664	212
	<u>676,274</u>	<u>540,018</u>

### 7. INVESTMENTS HELD FOR TRADING

	31 December 2005	31 December 2004
<u>Debt securities:</u>		
Investment Funds	1,133	-
	<u>1,133</u>	<u>-</u>

The Company has B-Type Liquid investment funds amounting to 1,133 YTL.

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

### 8. PROPERTY, PLANT AND EQUIPMENT

Cost	Buildings	Vehicles	Furniture and fixtures	Leasehold Improvements	Total
Opening balance, 1 January 2004	792,144	-	324,201	-	1,116,345
Additions	-	203,394	210,045	100,187	513,626
Disposals	(792,144)	-	(324,201)	-	(1,116,345)
Transfers	-	-	-	-	-
Closing balance, 31 December 2004	-	203,394	210,045	100,187	513,626
Additions	-	47,138	32,572	-	79,710
Disposals	-	-	-	-	-
Transfers	-	-	-	-	-
Closing balance, 31 December 2005	-	250,532	242,617	100,187	593,336

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

### 8. PROPERTY, PLANT AND EQUIPMENT (cont'd)

<u>Accumulated depreciation</u>	<u>Buildings</u>	<u>Vehicles</u>	<u>Furniture and fixtures</u>	<u>Leasehold Improvements</u>	<u>Total</u>
Opening balance, 1 January 2004	60,731	33,804	189,639	-	284,174
Depreciation charge for the year	5,281	-	36,345	13,358	54,984
Eliminated on disposals	(66,012)	-	(194,842)	-	(260,854)
Closing balance, 31 December 2004	-	33,804	31,142	13,358	78,304
Depreciation charge for the year	-	43,036	44,982	20,036	108,054
Eliminated on disposals	-	-	-	-	-
Closing balance, 31 December 2005	-	76,840	76,124	33,394	186,358
Carrying amount at 31 December 2004	-	169,590	178,903	86,829	435,322
Carrying amount at 31 December 2005	-	173,692	166,491	66,791	406,974

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

### 9. OTHER INTANGIBLE ASSETS

<u>Cost</u>	<u>Rights</u>
At 1 January 2004	-
Additions	24,045
At 1 January 2005	24,045
Additions	26,049
At 31 December 2005	50,094
<u>Amortization</u>	
At 1 January 2004	-
Charge for the year	1,408
At 1 January 2005	1,408
Charge for the year	7,898
At 31 December 2005	9,306
<u>Carrying amount</u>	
Net book value, as of 31 December 2004	22,638
Net book value, as of 31 December 2005	40,788

### 10. BANK LOANS

	31 December <u>2005</u>	31 December <u>2004</u>
Short Term Bank Loans	18,948,922	10,246,586
Long Term Bank Loans	4,506,557	925,078
Total Borrowings	23,455,479	11,171,664

Analysis of loan repayments is as follows:

	31 December <u>2005</u>	31 December <u>2004</u>
Within one year	18,948,922	10,246,586
Between one to two years	793,750	925,078
Between two to three years	3,712,807	-
	23,455,479	11,171,664



# YATIRIM FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

### 10. BANK LOANS (cont'd)

Short-Term bank loans consist of the following:

<u>Foreign Currency Type</u>	<u>Interest Rate %</u>	<u>Foreign Currency Amount</u>	<u>31 December 2005</u>
EUR	4.65% - 5.75%	10,999,998	17,462,497
USD	5.50% - 8.33%	1,107,784	1,486,425
			<u>18,948,922</u>

<u>Foreign Currency Type</u>	<u>Interest Rate %</u>	<u>Foreign Currency Amount</u>	<u>31 December 2004</u>
EUR	4.80%-5.50%	4,811,634	9,189,664
USD	5.50%	753,206	1,056,922
			<u>10,246,586</u>

Long-Term bank loans consist of the following:

<u>Foreign Currency Type</u>	<u>Maturity</u>	<u>Interest Rate %</u>	<u>Foreign Currency Amount</u>	<u>31 December 2005</u>
EUR	11.07.2008	5.35%	512,999	814,275
USD	08.01.2007 – 31.12.2007	6.75% - 7.05%	2,751,738	3,692,282
				<u>4,506,557</u>

<u>Foreign Currency Type</u>	<u>Maturity</u>	<u>Interest Rate %</u>	<u>Foreign Currency Amount</u>	<u>31 December 2004</u>
EUR	03.01.2006	5.50%	300,491	573,886
USD	03.01.2006	5.50%	250,298	351,192
				<u>925,078</u>

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

### 11. OTHER PAYABLES AND EXPENSE ACCRUALS

	31 December 2005	31 December 2004
Taxes and dues payable	26,758	28,246
Social security premiums payable	31,038	11,205
Due to personnel	828	-
Due to shareholders	-	-
Other accruals and liabilities	12,980	10,858
	<u>71,604</u>	<u>50,309</u>

### 12. TAXATION ON INCOME

As of the balance sheet date, corporate taxes payable and tax provision are stated below:

	31 December 2005	31 December 2004
<u>Current Tax Payable:</u>		
Current corporate and income tax	-	-
Less: Prepaid taxes and funds (*)	-	-
	<u>-</u>	<u>-</u>
<u>Taxation:</u>		
Current income tax	-	-
Deferred Tax Charge (benefit)	-	-
	<u>-</u>	<u>-</u>

#### Corporate Tax

The Company is subject to Turkish corporation taxes. Provision is made in the accompanying financial statements for the estimated charge based on the Company's results for the year.

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

The effective rates of tax are as follows:

- In 2002 and prior years: 33%, being 30% corporate tax plus a 10% surcharge of funds contribution on corporate tax.
- In 2003: 30% (the funds contribution was abolished for 2003).
- In 2004: 33% (the corporate tax rate was increased from 30% to 33% by Law No. 5035 published in the Official Gazette on 2 January 2004).
- In 2005: 30%

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

### 12. TAXATION ON INCOME (Cont'd)

In Turkey, advance tax returns are filed on a quarterly basis. The advance corporate income tax rate in 2005 and following years is 30% (2004: 33%).

Losses can be carried forward for offset against future taxable income for up to 5 years. Losses cannot be carried back for offset against profits from previous periods.

In Turkey there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within four months following the close of the accounting year to which they relate. Tax authorities may, however, examine such returns and the underlying accounting records and may revise assessments within five years.

#### 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% starting from 24 April 2003. Undistributed dividends incorporated in share capital are not subject to income withholding taxes. Income withholding tax was also calculated in 2002 and prior years on various types of income and gains exempt from corporation tax, whether distributed or not. Such withholding tax has been removed in general. However, 19.8% withholding tax is still applied to investment allowances relating to investment incentive certificates obtained prior to 24 April 2003. Such allowances may be used to relieve corporation tax liability until the profits reach the calculated level of exemption. If companies fail to make a profit or incur losses, any allowance outstanding may be carried forward to following years so as to be deducted from taxable income of subsequent profitable years.

#### Inflation Adjusted Tax Calculation

For 2003 and previous years, taxable profits were calculated without any inflation adjustment to the statutory records, except that fixed assets and the related depreciation were revalued annually. Law No. 5024 published in the Official Gazette No. 25332 on 30 December 2003 requires the application of inflation accounting in Turkey in 2004 and future years for tax purposes, if the actual rate of inflation meets certain thresholds, using principles which do not differ substantially from the principles in IAS 29 "Financial Reporting in Hyperinflationary Economies". As inflation met certain thresholds as of 31 December 2004, the Company has adjusted its statutory financial statements as of 31 December 2004 in accordance with Law No. 5024 and inflation adjusted balances as at 31 December 2004 were taken as opening balances as of 1 January 2005. However, as inflation did not meet the required thresholds as at 31 December 2005, no further inflation adjustment made to the Company's statutory financial statements in 2005.

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

### 12. TAXATION ON INCOME (Cont'd)

#### Deferred Tax

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for IFRS purposes and its statutory tax financial statements. These differences usually result in the recognition of revenue and expenses in different reporting periods for IFRS and tax purposes and are set out below:

Temporary differences occur between the years in which certain items of income and expense are recorded for accounting and for tax purposes. These timing differences are calculated over the depreciation expenses of property, plant and equipment (except land) and intangible fixed assets, retirement pay provision.

	31 December <u>2005</u>	31 December <u>2004</u>
<u>Temporary differences subject to deferred tax:</u>		
Retirement pay provision	5,151	-
Allowance for doubtful receivables	-	34,635
Unused investment incentive	(8,755,716)	(4,784,645)
Carry forward tax losses	(1,814,413)	(1,531,435)
	<u>(10,564,978)</u>	<u>(6,281,445)</u>
<u>Components of Deferred Tax (Assets)/Liabilities:</u>		
Retirement pay provision	1,545	-
Allowance for doubtful receivables	-	10,390
Unused investment incentive	(2,626,715)	(1,435,394)
Carry forward tax losses	(466,833)	(459,430)
	<u>(3,092,003)</u>	<u>(1,884,434)</u>
Valuation allowance for deferred tax asset (-)	<u>3,092,003</u>	<u>1,884,434</u>
	<u>-</u>	<u>-</u>

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

### 13. PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

Under Turkish law, the Company is required to pay employment termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The provision is made in respect of all eligible employees, at a rate of 30 days gross pay for each year of service. The rate of pay is that ruling at the respective balance sheet dates, subject to a maximum of TL 1,727.15 per year as of 31 December 2005 (31 December 2004: YTL 1,574.74 per year).

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

	31 December <u>2005</u>	31 December <u>2004</u>
Provision at 1 January	-	-
Charge for the year	5,151	-
Monetary gain	-	-
As of 31 December	<u>5,151</u>	<u>-</u>

### 14. SHARE CAPITAL AND LEGAL RESERVES

As of 31 December 2005 and 2004, the share capital held is as follows:

<u>Shareholders</u>	<u>(%)</u>	31 December 2005	<u>(%)</u>	31 December 2004
TE Holding A.Ş.	99.95	4,997,500	99.95	3,134,255
Others	0.05	2,500	0.05	2,091
	100.00	<u>5,000,000</u>	100.00	<u>3,136,346</u>
Inflation Adjustment		<u>6,626,852</u>		<u>6,490,144</u>
Adjusted Capital		<u>11,626,852</u>		<u>9,626,490</u>

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.

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

### 15. COMMITMENTS AND CONTINGENCIES

The commitments and contingencies of the company that are not stated in liabilities as of 31 December 2005 and 2004 are as follows:

	31 December <u>2005</u>	31 December <u>2004</u>
Letters of Guarantee Given	138,157	-
	<u>138,157</u>	<u>-</u>

### 16. SUBSEQUENT EVENTS

Subsequent to the balance sheet date the ceiling for gross pay for retirement pay provision has been increased to NTL 1,770.62 as at January 1, 2006.

### 17. OPERATING EXPENSES

	<u>2005</u>	<u>2004</u>
Employee benefit expenses	(1,231,992)	(833,993)
Depreciation and amortization expenses	(115,810)	(75,481)
Rent expenses	(86,167)	(65,403)
Consulting expenses	(20,864)	(7,016)
Maintenance expenses	(38,618)	(20,782)
Other expenses	(236,067)	(309,905)
	<u>(1,729,518)</u>	<u>(1,312,580)</u>

### 18. OTHER INCOME

	<u>2005</u>	<u>2004</u>
Commission Income	26,207	-
Other ordinary income	10,251	38,888
	<u>36,458</u>	<u>38,888</u>

### 19. FINANCE (EXPENSES) / INCOME

	<u>2005</u>	<u>2004</u>
Interest Income	10,674	184,559
Foreign Exchange Gains	8,019,676	226,447
Foreign Exchange Losses	(7,869,109)	(255,147)
Discount Income	80,852	-
Short Term Borrowing Expenses	(1,005,716)	(231,177)
	<u>(763,623)</u>	<u>(75,318)</u>

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

### 20. OTHER EXPENSES

	<u>2005</u>	<u>2004</u>
Loss on Sale of Fixed Assets (Net)	-	(805,999)
	<u>-</u>	<u>(805,999)</u>

### 21. RELATED COMPANY BALANCES AND IMPORTANT TRANSACTIONS

	31 December <u>2005</u>	31 December <u>2004</u>
<u>Lease Contract Receivables</u>		
Tet Tekstil Etiket Ambalaj Matbaacılık A.Ş.	182,218	519,588
Tec Tekstil Dokuma Baskı Matbaa Etiket San. Ve Tic. A.Ş.	-	10,454
Strateji Faktoring Hizmetleri A.Ş.	13,080	62,727
Tetaş Tekstil İmalat A.Ş.	7,510	64,818
Tek Örme A.Ş.	77,836	-
	<u>280,644</u>	<u>657,587</u>

#### Payables to related Companies

Tetaş Tekstil İmalat A.Ş.	3,002,207	4,998,289
Marin Holding A.Ş.(Payables to shareholders)	-	512,270
Temat Kırtasiye A.Ş.	65	-
Tet Sigorta Aracılık Hizmetleri A.Ş.	64,904	37,636
	<u>3,067,176</u>	<u>5,548,195</u>

# YATIRIM FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

### 22. RELATED COMPANY BALANCES AND IMPORTANT TRANSACTIONS (Cont'd)

	<u>2005</u>	<u>2004</u>
<u>Leasing Income</u>		
Tet Tekstil Etiket Ambalaj Matbaacılık A.Ş.	25,037	25,091
Tec Tekstil Dokuma Baskı Matbaa Etiket San. Ve Tic. A.Ş.	1,122	1,045
Tek Örme	8,733	-
Tetaş tekstil	6,325	-
Strateji Faktoring Hizmetleri A.Ş.	<u>41,217</u>	<u>26,136</u>
<u>Rent Income</u>		
Strateji Faktoring Hizmetleri A.Ş.	34,863	42,863
	<u>34,863</u>	<u>42,863</u>
<u>Service Received</u>		
Strateji Faktoring Hizmetleri A.Ş.	-	7,166
Tet Sigorta Aracılık Hizmetleri A.Ş.	543,665	238,362
	<u>543,665</u>	<u>245,528</u>



# YATIRIM FİNANSAL KİRALAMA A.Ş.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2005

(Amounts expressed in New Turkish Lira (YTL) in terms of the purchasing power of the Turkish Lira at 31 December 2005)

### 23. FOREIGN CURRENCY POSITION

	<u>US \$</u>	<u>EURO</u>	<u>YEN</u>	<u>Total YTL</u>
<u>31 December 2005</u>				
Cash and cash equivalents	330,828	931,741	-	1,923,044
Leasing receivables	4,750,997	13,066,430	-	27,117,875
Trade payables	-	(1,903,107)	-	(3,021,182)
Bank loans	(3,859,522)	(11,512,997)	-	(23,455,479)
				<u>2,564,258</u>
<u>31 December 2004</u>				
Cash and cash equivalents	118,791	138,744	2,091	431,694
Leasing receivables	2,201,538	7,457,217	-	18,118,619
Trade payables	-	(4,777,929)	-	(9,124,587)
Bank loans	(1,002,757)	(5,112,875)	-	(11,171,664)
				<u>(1,745,938)</u>