



Lider Faktoring Hizmetleri Anonim Şirketi

Financial Information
As at and For the Six-Month Period Ended
30 June 2011
With Independent Auditors' Report Thereon

Akis Bağımsız Denetim ve Serbest
Muhasebeci Mali Müşavirlik
Anonim Şirketi

8 August 2011

This report includes 1 page of independent auditors' report and 30 pages of financial statements together with their explanatory notes.

Lider Faktoring Hizmetleri Anonim Şirketi

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Independent auditors' report

To the Board of Directors of
Lider Faktoring Hizmetleri Anonim Şirketi

We have audited the accompanying financial statements of Lider Faktoring Hizmetleri Anonim Şirketi ("the Company"), which comprise the statement of financial position as at 30 June 2011, the statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 30 June 2011, and of its financial performance and its cash flows for the six-month period then ended in accordance with International Financial Reporting Standards.

KPMG Akis Bağımsız Denetim ve SMMM A.Ş.

8 August 2011
İstanbul, Turkey

LİDER FAKTORİNG HİZMETLERİ ANONİM ŞİRKETİ

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2011

(Currency: Turkish Lira (“TL”))

| | <i>Notes</i> | 30 June 2011 | 31 December 2010 |
|-------------------------------------|--------------|-------------------------|-----------------------------|
| Assets | | | |
| Cash and cash equivalents | 8 | 394,086 | 409,438 |
| Factoring receivables | 9 | 355,839,348 | 357,982,911 |
| Property and equipment | 10 | 11,692,578 | 11,780,588 |
| Intangible assets | 11 | 110,511 | 112,231 |
| Other assets | 12 | 643,823 | 616,024 |
| Total assets | | 368,680,346 | 370,901,192 |
| Liabilities | | | |
| Factoring payables | 9 | 457,205 | 207,693 |
| Loans and borrowings | 13 | 255,143,267 | 262,091,570 |
| Debt securities | 14 | 47,525,348 | 47,465,405 |
| Current tax liabilities | 7 | 491,891 | 503,971 |
| Other liabilities | 15 | 1,009,021 | 995,875 |
| Employee benefits | 16 | 1,099,576 | 911,348 |
| Deferred tax liabilities | 7 | 299,365 | 265,290 |
| Total liabilities | | 306,025,673 | 312,441,152 |
| Equity | | | |
| Share capital | 17 | 35,873,808 | 35,873,808 |
| Asset revaluation reserve | 17 | 6,466,576 | 6,466,576 |
| Retained earnings | | 20,314,289 | 16,119,656 |
| Total equity | | 62,654,673 | 58,460,040 |
| Total liabilities and equity | | 368,680,346 | 370,901,192 |

The notes on pages 6 to 30 are an integral part of these financial statements.

LİDER FAKTORİNG HİZMETLERİ ANONİM ŞİRKETİ

STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011
(Currency: Turkish Lira (“TL”))

| | <i>Notes</i> | 30 June 2011 | 30 June 2010 |
|--|--------------|---------------------|---------------------|
| Interest income | | | |
| Interest income on factoring receivables | | 18,872,736 | 19,421,139 |
| Interest income on cash and cash equivalents | | 35,970 | 33,151 |
| Total interest income | | 18,908,706 | 19,454,290 |
| Interest expense | | | |
| Interest expense on loans and borrowings | | (12,897,448) | (14,774,560) |
| Interest expense on debt securities | | (2,629,791) | -- |
| Total interest expense | | (15,527,239) | (14,774,560) |
| Net interest income | | 3,381,467 | 4,679,730 |
| Fee and commission income on factoring transactions | | | |
| | | 11,779,741 | 8,361,839 |
| Fee and commission expense on banking transactions | | | |
| | | (296,831) | (507,482) |
| Fee and commission income, net | | 11,482,910 | 7,854,357 |
| Foreign exchange gains / (losses), net | | | |
| | | (60,268) | (150,651) |
| Other operating income | | | |
| | | 147,400 | 49,606 |
| Operating income | | 14,951,509 | 12,433,042 |
| Recoveries of impaired factoring receivables | | | |
| | 9 | 64,500 | 342,700 |
| Personnel expenses | | | |
| | 6 | (7,394,553) | (7,046,696) |
| Administrative expenses | | | |
| | 5 | (2,095,628) | (1,432,914) |
| Depreciation and amortisation | | | |
| | 10, 11 | (280,400) | (248,188) |
| Profit before income tax | | 5,245,428 | 4,047,944 |
| Income tax expense | | | |
| | 7 | (1,050,795) | (654,500) |
| Profit for the period | | 4,194,633 | 3,393,444 |
| Other comprehensive income for the year, net of income tax | | | |
| | 17 | -- | -- |
| Total comprehensive income for the period | | 4,194,633 | 3,393,444 |

The notes on pages 6 to 30 are an integral part of these financial statements.

LİDER FAKTORİNG HİZMETLERİ ANONİM ŞİRKETİ

STATEMENT OF CHANGES IN EQUITY
FOR THE SIX-MONTH PERIOD ENDED 30 JUNE 2011
(Currency: Turkish Lira ("TL"))

| | Nominal share capital | Inflationary effect on share capital | Asset revaluation reserve | Retained earnings | Total Equity |
|--|-----------------------------|--|---------------------------------|----------------------|-------------------|
| Balances at 1 January 2010 | 30,000,000 | 5,873,808 | 5,450,791 | 10,706,122 | 52,030,721 |
| Total comprehensive income for the period | | | | | |
| Profit for the period | -- | -- | -- | 3,393,444 | 3,393,444 |
| Other comprehensive income | -- | -- | -- | -- | -- |
| Total | -- | -- | -- | 3,393,444 | 3,393,444 |
| Transactions with owners, recorded directly to equity | | | | | |
| | -- | -- | -- | -- | -- |
| Balances at 30 June 2010 | 30,000,000 | 5,873,808 | 5,450,791 | 14,099,566 | 55,424,165 |
| Balances at 1 January 2011 | 30,000,000 | 5,873,808 | 6,466,576 | 16,119,656 | 58,460,040 |
| Total comprehensive income for the period | | | | | |
| Profit for the period | -- | -- | -- | 4,194,633 | 4,194,633 |
| Other comprehensive income | -- | -- | -- | -- | -- |
| Total | -- | -- | -- | 4,194,633 | 4,194,633 |
| Transactions with owners, recorded directly to equity | | | | | |
| | -- | -- | -- | -- | -- |
| Balances at 30 June 2011 | 30,000,000 | 5,873,808 | 6,466,576 | 20,314,289 | 62,654,673 |

The notes on pages 6 to 30 are an integral part of these financial statements.

LİDER FAKTORİNG HİZMETLERİ ANONİM ŞİRKETİ

STATEMENT OF CASH FLOWS

FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2011

(Currency: Turkish Lira (“TL”))

| | <i>Notes</i> | 30 June 2011 | 30 June 2010 |
|---|---------------|---------------------|---------------------|
| Cash flows from operating activities: | | | |
| Net profit for the period | | 4,194,633 | 3,393,444 |
| Components of net profit not generating or using cash | | | |
| Depreciation and amortisation | <i>10, 11</i> | 280,400 | 248,188 |
| Provision for employee severance payments | <i>16</i> | 144,329 | 236,680 |
| Provision for vacation pay liability | <i>16</i> | 43,899 | 15,162 |
| Net interest income | | (3,381,467) | (4,679,730) |
| Income tax expense | <i>7</i> | 1,050,795 | 654,500 |
| Provision for doubtful receivables | <i>9</i> | 1,013,608 | 195,407 |
| Changes in operating assets and liabilities | | | |
| Change in factoring receivables | | 1,129,955 | (39,460,540) |
| Change in factoring payables | | 249,512 | (188,390) |
| Change in other assets | | (27,739) | (1,634,397) |
| Change in other liabilities | | 13,146 | (174,386) |
| Accrual for debt securities | | -- | (2,831,115) |
| Interest received | | 18,908,706 | 19,454,290 |
| Interest paid | | (13,318,436) | (15,111,868) |
| Income tax paid | | (1,028,800) | (544,648) |
| Net cash provided by or (used in) operating activities | | 9,272,541 | (40,433,403) |
| Investing activities: | | | |
| Purchase of property and equipment | <i>10</i> | (163,133) | (38,362) |
| Purchase of intangible assets | <i>11</i> | (30,135) | (5,838) |
| Proceeds from disposal of equipment | | 2,658 | -- |
| Net cash used in investing activities | | (190,670) | (44,200) |
| Financing activities: | | | |
| Proceeds from loans and borrowings | | 247,137,390 | 175,764,448 |
| Repayment of loans and borrowings | | (256,234,613) | (184,544,534) |
| Proceeds from debt securities | | -- | 47,168,885 |
| Net cash provided by or (used in) financing activities | | (9,097,223) | 38,388,799 |
| Net decrease in cash and cash equivalents | | (15,352) | (2,088,803) |
| Cash and cash equivalents at 1 January | | 409,438 | 2,397,373 |
| Cash and cash equivalents at 30 June | <i>8</i> | 394,086 | 308,570 |

The notes on pages 6 to 30 are an integral part of these financial statements.

LİDER FAKTORİNG HİZMETLERİ ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2011

(Currency: Turkish Lira (“TL”))

Notes to the financial statements

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LİDER FAKTORİNG HİZMETLERİ ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2011

(Currency: Turkish Lira (“TL”))

1 Reporting entity

Şetat Faktoring A.Ş. was incorporated on 20 September 1992 in Turkey to provide factoring services to industrial and commercial firms. The name of Şetat Faktoring A.Ş. was changed to Lider Faktoring Hizmetleri A.Ş. (the “Company”) and the change was announced on the Trade Registry Gazzette dated 12 June 2002 and numbered 5568.

The Company’s head office is located at Büyükdere Caddesi 100 Maya Akar Center K: 25 Esentepe – Istanbul. The Company has 150 employees as at 30 June 2011 (31 December 2010: 132).

The Company’s principal activity is to provide factoring services substantially in Turkey.

2 Basis of preparation

(a) Statement of compliance

The Company maintains its books of account and prepares its statutory financial statements in Turkish Lira (“TL”) in accordance with 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.

The accompanying financial statements are prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by International Accounting Standards Board and are based on the statutory records, with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS. The Company adopted all IFRS, which were mandatory as at 30 June 2011.

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis adjusted for the effects of inflation during the hyperinflationary period ended at 31 December 2005, except for buildings which are measured at fair value.

The methods used to measure fair values are discussed further in Note 4.

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

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

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

- Note 3 (d,e) – Useful lives of assets
- Note 4 – Financial assets and liabilities – Determination of fair values
- Note 7 – Taxation
- Note 16 – Employee benefits
- Note 18 – Financial instruments
- Note 19 – Commitments and contingencies

LİDER FAKTORİNG HİZMETLERİ ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2011

(Currency: Turkish Lira (“TL”))

3 Significant accounting policies

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

(a) Foreign currency transactions

Transactions in foreign currencies are translated to TL at the foreign exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to TL at the foreign exchange rates ruling at that date. Foreign currency differences arising on retranslation are recognised in profit or loss.

(b) Financial instruments

The Company’s financial instruments are all non-derivative instruments.

(i) Non-derivative financial assets

The Company has the following non-derivative financial assets: cash and cash equivalents and factoring receivables.

All financial assets are recognized initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognized as a separate asset or liability.

Cash and cash equivalents comprise cash on hand and cash at banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Factoring receivables are financial assets with fixed or determinable payments that are not quoted in an active market. The Company initially recognizes factoring receivables on the date that they are originated. Such assets are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, factoring receivables are measured at amortized cost using the effective interest method, less any impaired losses.

(ii) Non-derivative financial liabilities

The Company has the following non-derivative financial liabilities: loans and borrowings, debt securities, factoring and other payables.

All financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

Such financial liabilities are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition the financial liabilities are measured at amortized cost using the effective interest method

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Company has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

LİDER FAKTORİNG HİZMETLERİ ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2011

(Currency: Turkish Lira (“TL”))

3 Significant accounting policies (continued)

(b) Financial instruments (continued)

(c) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as deduction from equity, net of any tax effects.

(d) Property and equipment

(i) Recognition and measurement

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

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

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

Buildings are measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. Valuations are performed frequently enough to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any revaluation surplus is credited to the asset revaluation reserve included in the equity section of the statement of financial position, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in the statement of comprehensive income, in which case the increase is recognised in the statement of comprehensive income. A revaluation deficit is recognised in the statement of comprehensive income, except to the extent that it offsets an existing surplus on the same asset recognised in the asset revaluation reserve.

Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Gains and losses on disposal of an item of property and equipment are determined by comparing the proceeds from disposal with the carrying amount of property and equipment and are recognised in profit or loss.

(ii) Subsequent costs

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

LİDER FAKTORİNG HİZMETLERİ ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2011

(Currency: Turkish Lira (“TL”))

3 Significant accounting policies (continued)

(d) Property and equipment (continued)

(iii) Depreciation

Depreciation is calculated over the depreciable amount, which is the cost of an asset, or other amount substituted for cost.

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

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

| | |
|------------------------|-----------|
| Buildings | 50 years |
| Furniture and fixtures | 4-5 years |
| Motor vehicles | 5 years |

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

(e) Intangible assets

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

The estimated useful lives for the current and comparative periods are between 3 and 5 years.

(f) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

(g) Impairment

(i) Financial assets

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

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

Financial assets are tested for impairment on an individual basis.

All impairment losses are recognised in the statement of comprehensive income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost that are equity securities, the reversal is recognised in the statement of comprehensive income.

LİDER FAKTORİNG HİZMETLERİ ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2011

(Currency: Turkish Lira (“TL”))

3 Significant accounting policies (continued)

(g) Impairment (continued)

(ii) 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. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

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

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

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

(h) Employee benefits

(i) Reserve for employee severance payments

In accordance with the existing social legislation in Turkey, the Company is required to make certain lump-sum severance indemnity to each employee who has completed one year of service with the Company and whose employment is terminated due to retirement or for reasons other than resignation or misconduct. In the accompanying financial statements, the Company has reflected a reserve for employee severance using statistical method and discounted by using the current market yield at the reporting date on government bonds, in accordance with International Accounting Standards (IAS) No.19-Revised “Employee Benefits”.

(ii) Short-term benefits

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

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

(i) Provisions

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

LİDER FAKTORİNG HİZMETLERİ ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2011

(Currency: Turkish Lira (“TL”))

3 Significant accounting policies (continued)

(j) Related parties

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

(k) Interest income and expense recognition

Interest income and expense are recognised in the statement of comprehensive income using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income include interest on financial assets and liabilities at amortised cost on an effective interest rate basis.

(l) Fees and commissions

Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

(m) Income tax

Income tax comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax is the tax payable or receivable on the taxable income 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.

Deferred tax is recognised 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 measured at tax rates that are expected to be applied to the 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.

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

(n) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2011, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for IFRS 9 “*Financial Instruments*”, which becomes mandatory for the Company’s 2013 financial statements and could change the classification and measurement of the financial assets. The Company does not plan to adopt this standards early and the extent of the impact has not been determined.

LİDER FAKTORİNG HİZMETLERİ ANONİM ŞİRKETİ

NOTES TO THE FINANCIAL STATEMENTS

AS AT AND FOR THE SIX MONTH PERIOD ENDED 30 JUNE 2011

(Currency: Turkish Lira (“TL”))

4 Financial assets and liabilities

Accounting classification and fair values

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

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

The estimated fair values of financial instruments have been determined using available market information by the Company, and where it exists, appropriate valuation methodologies. However, judgment is necessary required to interpret market data to determine the estimated fair value. While management has used available market information in estimating the fair values of financial instruments, the market information may not be fully reflective of the value that could be realized in the current circumstances. Management has estimated that the fair values of certain financial instruments are not materially different than their carrying values due to their short nature, including, bank deposits, factoring receivables, factoring payables and fixes rate bank borrowings. Carrying amounts of floating rate bank borrowings, which are reprised on dates closer to the balance date are assumed to reflect their fair values. Fair value of debt securities is determined with reference to their quoted bid price at the reporting date.

As at 30 June 2011 and 31 December 2010, the carrying amounts and fair values of financial instruments are as follows:

| | 30 June 2011 | | 31 December 2010 | |
|-------------------------------------|------------------------|-------------------|------------------------|-------------------|
| | <u>Carrying amount</u> | <u>Fair value</u> | <u>Carrying amount</u> | <u>Fair value</u> |
| <i>Financial assets</i> | | | | |
| Cash and cash equivalents | 394,086 | 394,086 | 409,438 | 409,438 |
| Factoring receivables | 355,839,348 | 355,839,348 | 357,982,911 | 357,982,911 |
| <i>Financial liabilities</i> | | | | |
| Loans and borrowings | 255,143,267 | 255,143,267 | 262,091,570 | 262,091,570 |
| Debt securities | 47,525,348 | 50,800,309 | 47,465,405 | 50,895,819 |
| Factoring payables | 457,205 | 457,205 | 207,693 | 207,693 |

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5 Administrative expenses

For the six-month periods ended 30 June, administrative expenses comprised the following:

| | 2011 | 2010 |
|---------------------------------------|------------------|------------------|
| Travelling expenses | 509,864 | 426,866 |
| Advertising expenses | 436,406 | 67,181 |
| Consultancy expenses | 370,806 | 242,843 |
| Office supplies expenses | 227,072 | 202,649 |
| Communication expenses | 170,969 | 146,023 |
| Rent expenses | 160,193 | 110,864 |
| Taxes and duties other than on income | 100,085 | 100,159 |
| Maintenance expenses | 17,224 | 35,156 |
| Others | 103,009 | 101,173 |
| | 2,095,628 | 1,432,914 |

6 Personnel expenses

For the six-month periods ended 30 June, personnel expenses comprised the following:

| | 2011 | 2010 |
|---|------------------|------------------|
| Salary expenses | 4,098,804 | 3,896,926 |
| Board of directors salary expense | 2,198,328 | 2,170,356 |
| Social security premium employer’s share | 555,818 | 457,280 |
| Meal expenses | 236,860 | 191,081 |
| Provision for employee severance payments | 144,329 | 236,680 |
| Counsel fees | 110,809 | 71,459 |
| Audit committee salary expense | 3,557 | 4,743 |
| Other | 46,048 | 18,171 |
| | 7,394,553 | 7,046,696 |

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7 Taxation

In Turkey, corporate income tax is levied at the rate of 20 % on the statutory corporate income tax base, which is determined by modifying accounting income for certain exclusions and allowances for tax purposes.

There is also a withholding tax on the dividends paid and is accrued only at the time of such payments. The withholding tax rate on the dividend payments other than the ones paid to the non-resident institutions generating income in Turkey through their operations or permanent representatives and the resident institutions is 15 percent. In applying the withholding tax rates on dividend payments to the non-resident institutions and the individuals, the withholding tax rates covered in the related Double Tax Treaty Agreements are taken into account. Appropriation of retained earnings to capital is not considered as profit distribution and therefore is not subject to withholding tax.

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

The transfer pricing provisions have been stated under the Article 13 of Corporate Tax Law with the heading of “disguised profit distribution via transfer pricing”. The General Communiqué on disguised profit distribution via transfer pricing dated November 18, 2007 sets details about implementation. If a tax payer 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 basis, 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 a tax deductible for corporate income tax purposes.

The income tax expense for the six-month periods ended 30 June, comprised the following items:

| | 2011 | 2010 |
|---|--------------------|------------------|
| Current tax expense | | |
| Current period | (1,016,720) | (859,863) |
| Tax correction of prior year | -- | 164,561 |
| | (1,016,720) | (695,302) |
| Deferred tax benefit/(expense) | | |
| Origination and reversal of temporary differences | (34,075) | 40,802 |
| | (34,075) | 40,802 |
| Income tax expense | (1,050,795) | (654,500) |

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7 Taxation (continued)

The reported tax expense for the six-month periods ended 30 June are different than the amounts computed by applying the statutory tax rate to profit before tax as shown in the following reconciliation:

| | 2011 | | 2010 | |
|--|------------------|--------------|----------------|--------------|
| | Amount | % | Amount | % |
| Profit for the period | 4,194,633 | | 3,393,444 | |
| Total income tax expense | 1,050,795 | | 654,500 | |
| Profit excluding income tax | 5,245,428 | | 4,047,944 | |
| Income tax using the domestic tax rate | 1,049,086 | 20.00 | 809,589 | 20.00 |
| Non-taxable expenses | 1,709 | 0.03 | 9,472 | 0.23 |
| Tax correction of prior year | -- | -- | (164,561) | (4.06) |
| Income tax expense | 1,050,795 | 20.03 | 654,500 | 16.17 |

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

The current tax liabilities as at as at 30 June 2011 and 31 December 2010 comprised the following:

| | 30 June 2011 | 31 December 2010 |
|---|----------------|------------------|
| Taxes on income | 1,016,720 | 1,638,565 |
| Less: Corporation taxes paid in advance | (524,829) | (1,134,594) |
| Current tax liabilities | 491,891 | 503,971 |

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

Deferred tax assets and deferred tax liabilities at 30 June 2011 and 31 December 2010 were attributable to the items detailed in the table below:

| | 30 June 2011 | 31 December 2010 | 30 June 2011 | 31 December 2010 | 30 June 2011 | 31 December 2010 |
|--|------------------|------------------|--------------------|--------------------|------------------|------------------|
| | Assets | | Liabilities | | Net | |
| Factoring receivables | 1,018,582 | 942,461 | - | - | 1,018,582 | 942,461 |
| Property and equipment and intangible assets | 195,901 | 285,014 | (1,489,109) | (1,603,494) | (1,293,208) | (1,318,480) |
| Loans and borrowings | - | - | (253,688) | (110,136) | (253,688) | (110,136) |
| Employee benefits | 219,915 | 182,270 | - | - | 219,915 | 182,270 |
| Others | 9,034 | 38,595 | - | - | 9,034 | 38,595 |
| Deferred tax assets/(liabilities) | 1,443,432 | 1,448,340 | (1,742,797) | (1,713,630) | (299,365) | (265,290) |

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7 Taxation (continued)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The movement of deferred assets / (liabilities) is as follows:

| | 30 June 2011 | 31 December 2010 |
|---|------------------|------------------|
| Balance at 1 January | (265,290) | (382,753) |
| Deferred tax income / (expense) recognised in the statement of comprehensive income | (34,075) | 371,409 |
| Deferred tax expense recognised in equity (Note 17) | -- | (253,946) |
| | (299,365) | (265,290) |

8 Cash and cash equivalents

As at 30 June 2011 and 31 December 2010, cash and cash equivalents comprised the following:

| | 30 June 2011 | 31 December 2010 |
|-------------------|----------------|------------------|
| Cash at bank | | |
| - Demand deposits | 388,984 | 405,555 |
| - Time deposits | -- | -- |
| Cash on hand | 5,102 | 3,883 |
| | 394,086 | 409,438 |

As at 30 June 2011 and 31 December 2010, there is no time deposits.

As at 30 June 2011 and 31 December 2010, there is no blockage on cash and cash equivalents.

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9 Factoring receivables

As at 30 June 2011 and 31 December 2010, factoring receivables comprised the following:

| | 30 June 2011 | 31 December 2010 |
|--|--------------------|---------------------|
| Domestic factoring receivables | 363,023,801 | 364,673,394 |
| Doubtful receivables | 9,564,121 | 9,750,289 |
| Factoring receivables, gross | 372,587,922 | 374,423,683 |
| Allowance for doubtful factoring receivables | (9,564,121) | (9,750,289) |
| Unearned income on factoring transactions | (7,184,453) | (6,690,483) |
| Factoring receivables, net | 355,839,348 | 357,982,911 |

As at 30 June 2011 and 31 December 2010, all factoring receivables mature within one year.

The Company has obtained the following collaterals for its receivables at 30 June 2011 and 31 December 2010:

| | 30 June 2011 | 31 December 2010 |
|---|-----------------|---------------------|
| Customer notes and cheques obtained as collateral | 363,818,849 | 365,257,606 |

Movements in the allowance for doubtful receivables for 30 June 2011 and 31 December 2010, are as follows:

| | 30 June 2011 | 31 December 2010 |
|---|------------------|---------------------|
| Balance at 1 January | 9,750,289 | 10,605,146 |
| Net recovery | (64,500) | (704,451) |
| - Allowance for the period | 1,013,608 | 580,134 |
| - Recoveries of amounts previously provided for | (1,078,108) | (1,284,585) |
| Written-off during the year | (121,668) | (150,406) |
| Balance at period end | 9,564,121 | 9,750,289 |

As at 30 June 2011, factoring payables amounting to TL 457,205 represent the amounts collected on behalf of but not yet paid to the factoring customers at the statement of financial position date (31 December 2010: TL 207,693).

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(Currency: Turkish Lira (“TL”))

10 Property and equipment

The movements of property and equipment for the periods ended 30 June 2011 and 30 June 2010 are as follows:

| | Buildings | Motor vehicles | Furniture and fixtures | Leasehold improvements | Total |
|---|-------------------|-----------------------|-------------------------------|-------------------------------|-------------------|
| Cost | | | | | |
| Balance at 1 January 2010 | 10,845,050 | 142,432 | 1,136,164 | 483,122 | 12,606,768 |
| Additions | - | - | 38,362 | - | 38,362 |
| Balance at 30 June 2010 | 10,845,050 | 142,432 | 1,174,526 | 483,122 | 12,645,130 |
| Balance at 1 January 2011 | 11,928,259 | 142,432 | 1,332,027 | 493,559 | 13,896,277 |
| Additions | - | - | 117,452 | 45,681 | 163,133 |
| Disposals | - | - | (2,628) | - | (2,628) |
| Balance at 30 June 2011 | 11,928,259 | 142,432 | 1,446,851 | 539,240 | 14,056,782 |
| Depreciation and impairment losses | | | | | |
| Balance at 1 January 2010 | 507,050 | 135,670 | 696,677 | 389,661 | 1,729,058 |
| Depreciation for the period | 120,081 | 4,707 | 78,449 | 31,891 | 235,128 |
| Balance at 30 June 2010 | 627,131 | 140,377 | 775,126 | 421,552 | 1,964,186 |
| Balance at 1 January 2011 | 673,419 | 142,432 | 869,042 | 430,796 | 2,115,689 |
| Depreciation for the period | 133,846 | - | 93,426 | 21,273 | 248,545 |
| Disposals | - | - | (30) | - | (30) |
| Balance at 30 June 2011 | 807,265 | 142,432 | 962,438 | 452,069 | 2,364,204 |
| Carrying amounts | | | | | |
| At 1 January 2010 | 10,338,000 | 6,762 | 439,487 | 93,461 | 10,877,710 |
| At 30 June 2010 | 10,217,919 | 2,055 | 339,400 | 61,570 | 10,680,944 |
| At 1 January 2011 | 11,254,840 | - | 462,985 | 62,763 | 11,780,588 |
| At 30 June 2011 | 11,120,994 | - | 484,413 | 87,171 | 11,692,578 |

At 31 December 2008, the Company has changed its accounting policy for the measurement of buildings to the revaluation model. The Company engaged TSKB Gayrimenkul Değerleme A.Ş., a Capital Market Board (“CMB”) accredited independent valuer, to determine the fair value of its buildings.

Fair value is determined by reference to market based evidence. This means that valuations performed by the valuer are based on active market prices, adjusted for any difference in the nature, location or condition of the specific property. The date of the last revaluation was 31 December 2010. If buildings were measured using the cost model, the carrying amounts would be as follows:

| | 30 June 2011 | 31 December 2010 |
|--|---------------------|-------------------------|
| Cost | 4,929,728 | 4,929,728 |
| Accumulated depreciation and impairment losses | (1,574,095) | (1,519,488) |
| | 3,355,633 | 3,410,240 |

As at 30 June 2011, there is a mortgage on the Maya Akar Center Office of the Company amounting to JPY 290,000,000, equivalent of TL 5,820,590 (30 June 2010: JPY 290,000,000, equivalent of TL 5,135,320) set as collateral for mortgage borrowing.

As of 30 June 2011, total amount of insurance on tangible assets is TL 5,217,618 (30 June 2010: TL 4,703,321)

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11 Intangible assets

The movements of intangible assets for the periods ended 30 June 2011 and 30 June 2010 are as follows:

| | Software |
|--------------------------------|-----------------|
| Cost | |
| Balance at 1 January 2010 | 264,655 |
| Additions | 5,838 |
| Balance at 30 June 2010 | 270,493 |
| Balance at 1 January 2011 | 280,820 |
| Additions | 30,135 |
| Balance at 30 June 2011 | 310,955 |
| Amortisation | |
| Balance at 1 January 2010 | 136,316 |
| Amortisation for the period | 13,060 |
| Balance at 30 June 2010 | 149,376 |
| Balance at 1 January 2011 | 168,589 |
| Amortisation for the period | 31,855 |
| Balance at 30 June 2011 | 200,444 |
| Carrying amounts | |
| At 1 January 2010 | 128,339 |
| At 30 June 2010 | 121,117 |
| At 1 January 2011 | 112,231 |
| At 30 June 2011 | 110,511 |

As of 30 June 2011, the Company does not have any intangible assets generated within the Company.

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12 Other assets

As at 30 June 2011 and 31 December 2010, other assets comprised the following:

| | 30 June 2011 | 31 December 2010 |
|------------------|-----------------|---------------------|
| Advances given | 423,009 | 421,787 |
| Prepaid expenses | 137,094 | 109,688 |
| Other | 83,720 | 84,549 |
| | 643,823 | 616,024 |

As at 30 June 2011, TL 378,265 (31 December 2010: 250,404) of advances given relates to the advance payment to the lawyers to be paid to legal authorities in relation to the legal follow up of doubtful receivables and remaining TL 44,744 (31 December 2010: TL 171,383) relates to other various job advances.

13 Loans and borrowings

As at 30 June 2011 and 31 December 2010, loans and borrowings comprised the following:

| | | 30 June 2011 | | | |
|--------------------|---------------------------------|-----------------|--------------------|---------|----------------------------------|
| | | TL amount | | | Total loans and borrowings |
| Original amount | Nominal interest rate (%) | Up to 1 year | 1 year and over | | |
| Bank Loans-TL | 253,653,340 | 9-15.5 | 253,653,340 | -- | 253,653,340 |
| Bank Loans-JPY | 74,232,810 | 3 | 1,124,453 | 365,474 | 1,489,927 |
| Total | | | | | 255,143,267 |

| | | 31 December 2010 | | | |
|--------------------|---------------------------------|------------------|--------------------|---------|----------------------------------|
| | | TL amount | | | Total loans and borrowings |
| Original Amount | Nominal interest rate (%) | Up to 1 year | 1 year and over | | |
| Bank Loans-TL | 260,177,001 | 7.50-13 | 260,177,001 | -- | 260,177,001 |
| Bank Loans-JPY | 101,139,434 | 3 | 1,060,730 | 853,839 | 1,914,569 |
| Total | | | | | 262,091,570 |

At 30 June 2011, the Company has given customer cheques and notes amounting to TL 323,323,993 (31 December 2010: TL 356,061,542) as collateral against the bank borrowings.

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14 Debt securities

As at 30 June 2011 and 31 December 2010, debt securities comprised the following:

| | | | | | 30 June 2011 | 31 December 2011 |
|---------------------------|--------------------|---------------------------------|-----------------|--------------------|----------------------------------|----------------------------------|
| | | | | | TL amount | TL amount |
| | Original amount | Nominal interest rate (%) | Up to 1 year | 1 year and over | Total loans and borrowings | Total loans and borrowings |
| Floating Rate Notes | 47,525,348 | 5.73(*) | 47,525,348 | -- | 47,525,348 | 47,465,405 |
| Total | | | | | 47,525,348 | 47,465,405 |

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

On 15 June 2010, the Company has issued Floating Rate Notes due 2012 (“Notes”) amounting TL 50,000,000. The Notes have maturity date of 8 June 2012 and bear interest on the third interest payment date (13 December 2011) at a rate equal to 5.73% and will reset on each following semi-annual interest payment date based on the ten-day daily weighted average compound rate of the benchmark yield. The Notes are listed on the Istanbul Stock Exchange.

15 Other liabilities

As at 30 June 2011 and 31 December 2010, other liabilities comprised the following:

| | 30 June 2011 | 31 December 2010 |
|---------------------------------------|------------------|---------------------|
| Taxes and duties other than on income | 713,108 | 844,134 |
| Others | 295,913 | 151,741 |
| | 1,009,021 | 995,875 |

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16 Employee benefits

As at 30 June 2011 and 31 December 2010, employee benefits comprised the following:

| | 30 June 2011 | 31 December 2010 |
|---|-------------------------|-----------------------------|
| Reserve for employee severance payments | 868,997 | 724,668 |
| Vacation pay liability | 230,579 | 186,680 |
| | 1,099,576 | 911,348 |

Reserve for employee severance payments

In accordance with existing social legislation in Turkey, the Company is required to make lump-sum payments to employees whose employment is terminated due to retirement or for reasons other than resignation or misconduct. Such payments are calculated on the basis of 30 days’ pay, maximum of TL 2,623 at 30 June 2011 (31 December 2010: TL 2,517) per year of employment at the rate of pay applicable at the date of retirement or termination. The principal assumption used in the calculation of the total liability is that the maximum liability for each year of service will increase in line with inflation semi-annually.

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

International Accounting Standard No. 19 (“IAS 19”) requires actuarial valuation methods to be developed to estimate the enterprise’s obligation under defined benefit plans. The reserve has been calculated by estimating the present value of future probable obligation of the Company arising from the retirement of the employees. Accordingly, the following statistical assumptions were used in the calculation of the following liability as at 30 June 2011 and 31 December 2010:

| | 30 June 2011 | 30 June 2010 |
|---|-------------------------|-------------------------|
| Discount rate | 4.66% | 5.92% |
| Expected rate of salary/limit increase | 5.10% | 4.80% |
| Turnover rate to estimate the probability of retirement | 100% | 100% |

For the six-month periods ended 30 June 2011 and 30 June 2010, movements in the reserve for employee severance payments are as follows:

| | 30 June 2011 | 30 June 2010 |
|---|-------------------------|-------------------------|
| Balance at 1 January | 724,668 | 458,680 |
| Increase during the period | 144,329 | 236,680 |
| Balance at the end of the period | 868,997 | 695,360 |

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16 Employee benefits (continued)

Vacation pay liability

In accordance with current labour law, the Company makes payments for unused vacations of employees. The liability is calculated by the remaining vacation days multiplied by one day’s pay.

For the six-month periods ended 30 June 2011 and 30 June 2010, movements in the vacation pay liability were as follows:

| | 30 June 2011 | 30 June 2010 |
|---|-----------------|-----------------|
| Balance at 1 January | 186,680 | 171,528 |
| Increase during the period | 43,899 | 15,162 |
| Balance at the end of the period | 230,579 | 186,690 |

17 Equity

17.1 Paid-in capital

As at 30 June 2011 and 31 December 2010, the nominal value of the Company’s authorised and paid-in share capital amounts to TL 30,000,000 comprising 30,000,000 registered shares of par value of 1 TL. Adjustment to share capital represents the restatement effect of the contributions to share capital equivalent to purchasing power of TL at 31 December 2005.

As at 30 June 2011 and 31 December 2010, the composition of the authorised and paid-in share capital was as follows:

| | 30 June 2011 | | | | | 31 December 2010 | |
|---|--------------|---------------|-------------------|------------------|-------------------|------------------|-------------------|
| | Share (%) | Group A | Group B | Group C | Total | Share (%) | Total |
| Yuda Elenkave | 39.82 | 20,000 | 11,925,130 | -- | 11,945,130 | 39.82 | 11,945,130 |
| Nedim Menda | 34.85 | 10,000 | 10,445,000 | -- | 10,455,000 | 34.85 | 10,455,000 |
| Jak Sucaz | 10.20 | 10,000 | 3,050,000 | -- | 3,060,000 | 10.20 | 3,060,000 |
| Raşel Elenkave | 5.11 | 10,000 | 1,520,000 | -- | 1,530,000 | 5.11 | 1,530,000 |
| Credit Suisse Investments (Netherlands) B.V. | 9.90 | -- | -- | 2,970,000 | 2,970,000 | 9.90 | 2,970,000 |
| Can Güney | 0.04 | -- | 13,290 | -- | 13,290 | 0.04 | 13,290 |
| Ayşe Bayoğlu | 0.04 | -- | 13,290 | -- | 13,290 | 0.04 | 13,290 |
| İbrahim Betil | 0.04 | -- | 13,290 | -- | 13,290 | 0.04 | 13,290 |
| Nominal share capital | 100 | 50,000 | 26,980,000 | 2,970,000 | 30,000,000 | 100 | 30,000,000 |
| Adjustment to share capital | | | | | 5,873,808 | | 5,873,808 |
| Total paid-in share capital | | | | | 35,873,808 | | 35,873,808 |

According to the share agreement of the Company, Group A shareholders have the right to appoint a simple majority of the members of the Board. Group B shareholders have economic rights to dividends/distributions and pre-emptive rights with respect to future share issuances as well as the ordinary rights of a shareholder. Group C shareholders have the right to appoint one member of the Board and have extensive veto rights over strategic and financial decisions of the Company including: (a) approval of annual budgets and financial statements; (b) material acquisitions/disposals; (c) amount of total indebtedness; (d) appointment of senior management; and (e) related party transactions and changes to the Company’s share capital structure.

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17 Equity (continued)

17.2 Legal reserves

The legal reserves are established by annual appropriations amounting to 5% of income disclosed in the Company’s statutory accounts until it reaches 20% of paid-in share capital (first legal reserve). Without limit, a further 10% of dividend distributions in excess of 5% of paid-in capital are to be appropriated to increase legal reserves (second legal reserve). The first legal reserve is restricted and is not available for distribution as dividend unless it exceeds 50% of share capital. In the accompanying financial statements, the total of the nominal legal reserves is TL 3,558,812 included in retained earnings at 30 June 2011 (31 December 2010: TL 3,222,159).

17.3 Asset revaluation reserve

The asset revaluation reserve is used to record increases in the fair value of buildings and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

For the six-month period ended 30 June 2011 and for the year ended 31 December 2010, the movements in the revaluation fund are as follows:

| | 30 June 2011 | 31 December 2010 |
|---|-------------------------|-----------------------------|
| Balance at 1 January | 6,466,576 | 5,450,791 |
| Revaluation of buildings | -- | 1,269,731 |
| Tax effect of revaluation of buildings (Note 7) | -- | (253,946) |
| | 6,466,576 | 6,466,576 |

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18 Financial instruments

Credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is:

| | <u>30 June 2011</u> | <u>31 December 2010</u> |
|-------------------------------|---------------------------|---------------------------|
| Factoring receivables | 355,839,348 | 357,982,911 |
| Cash and cash equivalents (*) | 388,984 | 405,555 |
| | <u>356,228,332</u> | <u>358,388,466</u> |

(*) Cash on hand is excluded from cash and cash equivalents.

The Company is mainly subject to credit risk through its factoring operations. The Risk Management and Analysis Department of the Company is responsible to manage the credit risk. The Company requires a certain amount of collateral in respect of its financial assets. Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers.

As at 30 June 2011 and 31 December 2010, there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

As at 30 June 2011 and 31 December 2010, the breakdown of factoring receivables by industrial groups is as follows:

| | <u>30 June</u> | | <u>31 December</u> | |
|---------------------------|---------------------------|-------------------|---------------------------|-------------------|
| | <u>2011</u> | <u>%</u> | <u>2010</u> | <u>%</u> |
| Iron and steel | 50,398,787 | 14 | 36,270,327 | 10 |
| Textile | 49,675,484 | 14 | 58,618,176 | 15 |
| Construction | 36,199,582 | 10 | 39,756,407 | 11 |
| Other production | 31,814,827 | 9 | 42,119,970 | 11 |
| Automotive | 27,148,599 | 8 | 9,035,473 | 3 |
| Food | 24,860,968 | 7 | 24,316,167 | 7 |
| Paper and printing | 23,353,418 | 7 | 20,939,227 | 6 |
| Rubber and plastics | 18,894,956 | 5 | 17,701,631 | 5 |
| Electrics and electronics | 18,877,410 | 5 | 9,093,402 | 3 |
| Chemicals | 18,257,875 | 5 | 12,752,211 | 4 |
| Machinery | 15,379,481 | 4 | 29,484,177 | 8 |
| Agricultural products | 7,749,503 | 2 | 5,383,221 | 2 |
| Leather products | 5,248,829 | 1 | 6,304,275 | 2 |
| Tourism | 4,230,305 | 1 | 15,172,340 | 4 |
| Wood products | 4,062,452 | 1 | 13,588,011 | 4 |
| Others | 19,686,872 | 6 | 17,447,896 | 5 |
| | <u>355,839,348</u> | <u>100</u> | <u>357,982,911</u> | <u>100</u> |

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18 Financial instruments (continued)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations from its financial liabilities.

The Company’s approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company’s reputation.

The following are the contractual maturities of financial liabilities, including interest payments and excluding the impact of netting agreements:

| 30 June 2011 | Carrying amount | Contractual cash flows | 6 months or less | 6 to 12 months | 1 to 2 years | 2 to 3 years | Over 3 years |
|---|-----------------|------------------------|------------------|----------------|--------------|--------------|--------------|
| Non-derivative financial liabilities | | | | | | | |
| Loans and borrowings | 255,143,267 | 255,182,760 | 242,465,654 | 12,334,751 | 382,355 | -- | -- |
| Debt securities | 47,525,348 | 55,725,100 | 2,862,550 | 52,862,550 | -- | -- | -- |
| Factoring payables | 457,205 | 457,205 | 457,205 | -- | -- | -- | -- |
| Other liabilities ^(*) | 295,913 | 295,913 | 295,913 | -- | -- | -- | -- |

| 31 December 2010 | Carrying amount | Contractual cash flows | 6 months or less | 6 to 12 months | 1 to 2 years | 2 to 3 years | Over 3 years |
|---|-----------------|------------------------|------------------|----------------|--------------|--------------|--------------|
| Non-derivative financial liabilities | | | | | | | |
| Loans and borrowings | 262,091,570 | 262,891,034 | 256,199,937 | 5,789,551 | 901,546 | -- | -- |
| Debt securities | 47,465,405 | 57,709,553 | 2,569,851 | 2,569,851 | 52,569,851 | -- | -- |
| Factoring payables | 207,693 | 207,693 | 207,693 | -- | -- | -- | -- |
| Other liabilities ^(*) | 151,741 | 151,741 | 151,741 | -- | -- | -- | -- |

^(*) Taxes and duties other than on income and payable to personnel are excluded.

Market risk

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

Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows of fair values of financial instruments because of a change in market interest rates. All the financial instruments have fixed interest rates except for the loans and debt securities which have floating interest rates.

The Company’s operations are subject to the risk of interest rate fluctuations to the extent that interest-earning assets and interest-bearing liabilities mature or re-price at different times or in differing amounts. In the case of floating rate assets and liabilities the Company is also exposed to basis risk, which is the difference in repricing characteristics of the various floating rate indices and different types of interest. Risk management activities are aimed at optimising net interest income, given market interest rate levels consistent with the Company’s business strategies.

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18 Financial instruments (continued)

Interest rate risk (continued)

The tables below summarise average effective interest rates by major currencies for monetary financial instruments as at 30 June 2011 and 31 December 2010 :

| | 30 June 2011 | | 31 December 2010 | |
|-----------------------|--------------|--------|------------------|--------|
| | JPY (%) | TL (%) | JPY (%) | TL (%) |
| Assets | | | | |
| Factoring receivables | -- | 17.81 | --- | 11.10 |
| Liabilities | | | | |
| Loans and borrowings | 3.00 | 12.57 | 3.00 | 10.58 |
| Debt securities | -- | 11.81 | -- | 10.57 |

Interest rate profile

As at 30 June 2011 and 31 December 2011, the interest rate profiles of the interest-bearing financial instruments were as follows:

| | Carrying amount | |
|----------------------------------|-----------------|------------------|
| | 30 June 2011 | 31 December 2010 |
| Fixed rate instruments | | |
| Factoring receivables, net | 355,839,348 | 357,982,911 |
| Loans and borrowings | (255,143,267) | (241,724,795) |
| Variable rate instruments | | |
| Loans and borrowings | -- | (20,366,775) |
| Debt securities | (47,525,348) | (47,465,405) |

Fair value sensitivity analysis for fixed rate instruments

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives as hedging instruments under a fair value hedge accounting model. Therefore a change in interest rates at the reporting date would not affect profit or loss.

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates as at 30 June 2011 and 31 December 2010 would have increased or decreased profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

| | Profit or loss | | Equity ^(*) | |
|---------------------------|-----------------|-----------------|-----------------------|-----------------|
| | 100 bp increase | 100 bp decrease | 100 bp increase | 100 bp decrease |
| 30 June 2011 | | | | |
| Variable rate instruments | (475,253) | 475,253 | -- | -- |
| 31 December 2010 | | | | |
| Variable rate instruments | (678,322) | 678,322 | -- | -- |

^(*) Excluding profit or loss effects.

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18 Financial instruments (continued)

Foreign currency risk

The Company is exposed to currency risk through transactions in foreign currencies. As the currency in which the Company presents its financial statements is TL, the financial statements are affected by movements in the exchange rates against TL.

As at 30 June 2011 and 31 December 2010, the currency risk exposures were as follows (TL equivalents):

| | 30 June 2011 | | | |
|---|---------------|-----------|--------------------|--------------------|
| | USD | Euro | JPY | Total |
| Cash and cash equivalents | 10,079 | -- | 1 | 10,080 |
| Loans and borrowings | -- | -- | (1,489,927) | (1,489,927) |
| Gross statement of financial position exposure | 10,079 | -- | (1,489,926) | (1,479,847) |
| Net exposure | 10,079 | -- | (1,489,926) | (1,479,847) |

| | 31 December 2010 | | | |
|---|------------------|---------------|--------------------|--------------------|
| | USD | Euro | JPY | Total |
| Cash and cash equivalents | 5,473 | 14,682 | 7 | 20,162 |
| Loans and borrowings | -- | -- | (1,914,569) | (1,914,569) |
| Gross statement of financial position exposure | 5,473 | 14,682 | (1,914,562) | (1,894,407) |
| Net exposure | 5,473 | 14,682 | (1,914,562) | (1,894,407) |

The following significant exchange rates applied during the six-month period ended 30 June 2011 and the year ended 31 December 2010:

| TL | Average rate | | Reporting date | |
|---------|--------------|------------------|----------------|------------------|
| | 30 June 2011 | 31 December 2010 | 30 June 2011 | 31 December 2010 |
| USD | 1.5644 | 1.3590 | 1.6302 | 1.5460 |
| Euro | 2.1954 | 2.0974 | 2.3492 | 2.0491 |
| 100 JPY | 1.9061 | 1.5457 | 2.0071 | 1.8933 |

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18 Financial instruments (continued)

Foreign currency risk (continued)

Sensitivity analysis

A 10 percent strengthening in TL against the following currencies at 30 June 2011 and 31 December 2010 would have increased/(decreased) equity and profit or loss by the amounts shown below.

This analysis assumes that all other variables, in particular interest rates, remain constant.

| 30 June 2011 | Equity | Profit or loss |
|---------------------|----------------|-----------------------|
| USD | (1,008) | (1,008) |
| Euro | -- | -- |
| JPY | 148,993 | 148,993 |
| | 147,985 | 147,985 |

| 31 December 2010 | Equity | Profit or loss |
|-------------------------|----------------|-----------------------|
| USD | (547) | (547) |
| Euro | (1,468) | (1,468) |
| JPY | 191,456 | 191,456 |
| | 189,441 | 189,441 |

A 10 percent depreciation of the TL against the foreign currencies as at 30 June 2011 and 31 December 2010 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Capital management

The Company’s policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to meet local regulatory requirements.

19 Commitments and contingencies

Commitments and contingent liabilities arising in the ordinary course of business comprised the following items as at 30 June 2011 and 31 December 2010:

| | 30 June 2011 | 31 December 2010 |
|-----------------------------|-------------------------|-----------------------------|
| Letters of guarantee | | |
| Given to legal courts | 20,700 | 51,600 |

At 30 June 2011, the Company has given customer cheques and notes amounting to TL 323,323,993 (31 December 2010: TL 356,061,542) as collateral against the bank borrowings.

20 Related party disclosures

As at 30 June 2011 and 31 December 2010, related party balances were as follows:

| | 30 June 2011 | 31 December 2010 |
|--------------------------------|-------------------------|-----------------------------|
| Loans and borrowings | | |
| Credit Suisse AG London Branch | -- | 20,366,775 |
| | -- | 20,366,775 |

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NOTES TO THE FINANCIAL STATEMENTS

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20 Related party disclosures (continued)

The following related party transactions are listed for the six-month period ended 30 June:

| | <u>30 June 2011</u> | <u>30 June 2010</u> |
|--------------------------------|-----------------------|-------------------------|
| Interest expense | | |
| Credit Suisse AG London Branch | 906,481 | 2,428,720 |
| | <u>906,481</u> | <u>2,428,720</u> |

For the purpose of accompanying financial statements, the shareholders, key management personnel and the Board members, and in each case, together with their families and companies controlled by/affiliated with them; and investments are considered and referred to as the related parties. Total benefit of key management for the six-month period ended 30 June 2011 is amounting to TL 2,198,328 (30 June 2010: TL 2,170,356).