FONET BİLGİ TEKNOLOJİLERİ

ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE INTERIM PERIOD 1 JANUARY-31 MARCH 2021

(ORIGINALLY ISSUED IN TURKISH)

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(All amounts expressed in Turkish Lira (TL) unless otherwise stated.)

ASSETS	Notes	31 March 2021 TL	Prior period Audited 31 December 2020 TL
Current Assets			
Cash and cash equivalents	5	9.476.874	8.620.349
Trade Receivables			
- Trade receivables from third parties	7	19.138.923	16.521.988
Other receivables:			
- Other receivables from third parties	8	156.856	158.469
Inventories	9	1.269.513	1.293.810
Prepaid expenses	10	1.101.667	931.123
Current income tax asset	25	54.945	54.945
Other current assets	17	25.128	41.608
Total Current Assets		**31.223.906**	**27.622.292**
Non-Current Assets			
Trade Receivables			
- Trade receivables from third parties	7	894.469	788.382
Other receivables			
- Other receivables from related parties		--	--
- Other receivables from third parties	8	85.880	39.380
Right to use assets	13	912.520	1.237.246
Property, plant and equipment	11	3.745.348	4.015.673
Intangible assets	12	76.209.905	72.646.597
Prepaid expenses	10	583.817	722.604
Deferred tax assets	25	1.743.248	1.658.818
Total Non-Current Assets		**84.175.187**	**81.108.700**
TOTAL ASSETS		**115.399.093**	**108.730.992**

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

(All amounts expressed in Turkish Lira (TL) unless otherwise stated.)

LIABILITIES	**Notes**	**31 March 2021** TL	**Prior period Audited 31 December 2020** TL
Current Liabilities			
Short-term borrowings	6	1.564.947	888.948
Lease liabilities	6	574.726	580.434
Other financials borrowings	6	201.015	250.448
Trade payables			
- Trade payables to related parties		--	--
- Trade payables to third parties	7	1.813.194	1.001.658
Liabilities for employee benefits	16	3.300.507	2.795.313
Other payables			
- Other payables to related parties	24	--	1.271.169
- Other payables to third parties	8	359.563	593.423
Period income tax liabilities		--	--
Deferred income	10	1.099.032	1.189.161
Short term provisions			
- Short term provisions for employee benefits	16	276.435	329.831
- Other short term provisions	15	559.938	429.175
Other current liabilities	17	28.357	25.773
Total Current Liabilities		**9.777.714**	**9.355.333**
Non-Current Liabilities			
Long-term borrowings	6	395.205	737.192
Other payables			
- Other payables to related parties		--	--
Deferred income	10	899.208	792.774
Long term provisions	16	1.148.213	1.042.688
Deferred tax liabilities	25	1.843.150	1.931.330
Total Non-Current Liabilities		**4.285.776**	**4.503.984**
EQUITY			
Equity Holders of The Parent			
Paid-in share capital	18	40.000.000	40.000.000
Other comprehensive income / (loss) not to be reclassified to profit or loss:			
- Gain/(loss) arising from defined benefit plans	18	(557.771)	(563.392)
Restricted reserves	18	3.416.777	2.281.006
Retained earnings		52.018.290	25.415.086
Net profit for the period		6.458.307	27.738.975
Total Equity		**101.335.603**	**94.871.675**
TOTAL LIABILITIES AND EQUITY		**115.399.093**	**108.730.992**

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

Interim Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the Three Months Period Ended 1 January – 31 March 2021
(All amounts expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	Not Audited 1 January - 31 March 2021 TL	Not Audited 1 January - 31 March 2020 TL
Revenue	19	17.458.254	13.885.406
Cost of sales (-)	19	(9.669.927)	(7.826.013)
Gross Profit		7.788.327	6.059.393
General administrative expenses (-)	20	(1.522.495)	(1.397.770)
Marketing expenses (-)	20	(116.853)	(109.613)
Research and development expenses (-)	20	(4.749)	(4.000)
Other operating income	21	757.692	540.997
Other operating expense (-)	21	(822.810)	(611.664)
Operating Profit / (Loss)		**6.079.112**	**4.477.343**
Income from investing activities	22	329.615	16.936
Operating Profit / (Loss) Before Financial Income / (Expenses)		**6.408.727**	**4.494.279**
Financial income	23	3.825	4.752
Financial expenses (-)	23	(125.842)	(240.366)
Profit / (Loss) Before Tax From Continuing Operations		**6.286.710**	**4.258.665**
Tax income / (expenses) from continued operations (-)			
Deferred tax income / (expense)	25	171.597	(785.785)
Profit / (Loss) Before Tax From Continuing Operations		**6.458.307**	**3.472.880**
PROFIT / (LOSS) FOR THE PERIOD		**6.458.307**	**3.472.880**
Attributable to			
Equity Holders of the Parent		6.458.307	3.472.880
Earnings per share	**26**	**0,16**	**0,09**
Profit/Loss for the period other comprehensive income:			
Items that will not be reclassified subsequently to profit or loss			
Defined benefit plans re-measurement gains / losses		5.621	474.933
Deferred tax effect of re-measurement gains / loss on defined benefit plans		(1.013)	(72.559)
Other Comprehensive Income		**4.608**	**402.374**
Total Comprehensive Income / (Loss)		**6.462.915**	**3.875.254**
Distribution of Total Comprehensive Income:			
- Non-controlling interest		--	--
- Equity holders of the parent		6.458.307	3.875.254
EBITDA	**28**	**8.116.126**	**6.060.378**
EBITDA margin	**28**	**46,49**	**43,65**

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

Interim Condensed Consolidated Statements of Changes in Equity for the Three Months Period Ended 1 January - 31 March 2021
(All amounts expressed in Turkish Lira (TL) unless otherwise stated.)

				Other comprehensive income or expense not to be reclassified to profit or loss		Retained earnings / (loss)				
	Note	Paid-in capital	Share premium	Profit / loss on remeasurements of defined benefit plans	Restricted reserves allocated from net profi	Retained earnings	Net profit / (loss)	Attributable to equity holders of the parent	Non controlling interests	Equity
Balance as of 1 January 2020	**18**	**40.000.000**	**--**	**(783.508)**	**1.749.772**	**11.295.290**	**14.651.030**	**66.912.584**	**--**	**66.912.584**
Transfers		--	--	--	531.234	14.119.796	(14.651.030)	--	--	--
Net profit		--	--	--	--	--	3.472.880	3.472.880	--	3.472.880
Total Comprehensive Income		--	--	402.374	--	--	--	402.374	--	402.374
Balance as of 31 March 2020	**18**	**40.000.000**	**--**	**(381.134)**	**2.281.006**	**25.415.086**	**3.472.880**	**70.787.838**	**--**	**70.787.838**
Balance as of 1 January 2021	**18**	**40.000.000**	**--**	**(563.392)**	**2.281.006**	**25.415.086**	**27.738.975**	**94.871.675**	**--**	**94.871.675**
Transfers		--	--	--	1.135.771	26.603.204	(27.738.975)	--	--	--
Net profit		--	--	--	--	--	6.458.307	6.458.307	--	6.458.307
Total Comprehensive Income		--	--	5.621	--	--	--	5.621	--	5.621
Balance as of 31 March 2021	**18**	**40.000.000**	**--**	**(557.771)**	**3.416.777**	**52.018.290**	**6.458.307**	**101.335.603**	**--**	**101.335.603**

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

(All amounts expressed in Turkish Lira (TL) unless otherwise stated.)

	Notes	1 January– 31 March 2021	1 January– 31 March 2020
A. Cash flows from operating activities			
Profit from continuing operations		**6.458.307**	**3.472.880**
Adjustments to reconcile profit / (loss)			
Adjustments for depreciation and amortization expense	11, 12, 13	1.971.896	1.512.368
Adjustments for (reversal of) provisions related with employee benefits	16	57.750	44.697
Adjustment for deferred financing expenses	21	403.361	168.281
Adjustments for (reversal of) warranty provisions	21	(7.182)	(10.718)
Adjustments for impairment loss (reversal) of receivables	15	130.763	494.673
Adjustments for interest expense	7	666.091	566.852
Adjustment for deferred financing incomes	23	20.448	14.235
Other adjustments to reconcile profit (loss)	10	(90.129)	(2.291.805)
Adjustments for tax income/ (expense)	25	(172.610)	713.226
Adjustments for working capital			
Adjustments for decrease (increase) in trade receivables	7	(3.381.931)	(933.205)
Adjustments for decrease (increase) in other receivables	8	(76.644)	(156.357)
Adjustments for decrease (increase) in inventories	9	24.297	(252.916)
Adjustments for increase (decrease) in trade payables	7	408.176	(996.151)
Adjustments for decrease (increase) in other payables	8	(1.505.029)	(166.652)
Increase (decrease) in employee benefit liabilities	16	505.194	542.694
Change in other current and non-current assets	17	16.480	(5.839)
Change in short-term and long-term liabilities	17	2.584	49.959
Cash Flows Generated from Operating Activities		**5.431.822**	**2.766.322**
Payments related to employee benefits	16	--	--
Net Cash Generated from Operating Activities		**5.431.822**	**2.766.322**
B. Cash Flows From Investing Activities			
Cash outflows from purchases of property, plant, equipment	11	350.799	(50.417)
Cash outflows from purchases of intangible assets	12	(5.184.519)	(3.942.732)
Net Cash Used In Investing Activities		**(4.833.720)**	**(3.993.149)**
C. Cash Flows From Financing Activities			
Interest paid	23	(20.448)	(14.235)
Repayments of Borrowings	6	278.871	(110.326)
Net Cash Used in Financing Activities		**258.423**	**(124.561)**
Net Increase / (Decrease) In Cash and Cash Equivalents	5	**856.525**	**(1.351.488)**
D. Cash and Cash Equivalents at The Beginning of The Period	5	**8.620.349**	**2.927.899**
Cash and cash equivalents at the end of the period		**9.476.874**	**1.576.411**

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

(Amounts are expressed in Turkish Lira ("TL" unless otherwise stated)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Fonet Bilgi Teknolojileri Anonim Şirketi ("The Company" or "Fonet") was established in in 1997 to provide computer software and technical support to both Public and Private Institutions. The Company has operated as a Limited Company until 31 May 2011. As of 1 September 2011, the Company changed its type and became an incorporated company.

The Company's headquarter is located at Kızılırmak Mahallesi 1445. Sokak No: 2B/1 The Paragon Tower Çukurambar, Çankaya / ANKARA.

The Company has two branches, one located at Büyükdere Cad. A2 Blok No:33/4 Levent, ISTANBUL and the other branch in İpekyol Cad. No: 12/1 ŞANLIURFA. The Company has liaison office abroad located in Klarabergsviadukten 70 D4, 111 64 Stockholm, SWEDEN.

The Company provides information management systems, system integration, consultancy and turnkey project services in the field of health informatics. Although the main operations of the Company are in the field of health informatics, the Company also participates in different IT projects related to field expertise.

The software products which are completely owned by Fonet are as follows:

S. No	Module Name	S. No	Module Name
1	Patient Record / Admission Management Sys.	31	Social Services Management System
2	Polyclinic Management System	32	Home Health Care Services Management System
3	Clinic Management System	33	Interoperability System
4	Emergency Management System	34	Decision Support Management System
5	Laboratory Information System	35	Material Resource and Inventory Management System
6	Radiology Information System	36	Fixture and Asset Management System
7	PACS (Picture Archiving and Communication S.)	37	Financial Information Man. S. (Invoice, Cash Desk, etc.)
8	Nursing Management System	38	Purchasing Information System
9	Operating Room Information System	39	Human Resources / Pay-Roll Information System
10	Pharmacy Information System	40	Personnel Attendance Control Management System
11	Cancer Management System	41	Document Management System
12	Mouth and Dental Health Information System	42	Medical Record Archive Management System
13	Physical Treatment and Rehabilitation Man. S.	43	Device Tracking Management System
14	Intensive Care Management System	44	Medical Device Calibration and Quality Control M. Sys.
15	Hemodialysis Management System	45	Quality Management System
16	Pathology Management System	46	Quality Indicator Management System
17	Psychology Management System	47	Laundry Management System
18	Oncology Management System	48	Occupational Health and Safety Management System
19	Diet Management System	49	LCD / Display Information and Qmatic Man. Sys.
20	Blood Center Information System	50	Kiosk Management System
21	Sterilization Information System	51	SMS Management System
22	Healthcare Commission Management System	52	Technical Service Management System
23	Organ and Tissue Donation Management S.	53	Central Computer Management System
24	Clinic Engineering Information System	54	Process Management System
25	Information System, Statistic & Reporting Sys.	55	Medical Waste Management System
26	Medical Research Management System	56	Dynamic Medical / Administrative Module Des. Sys.
27	Information Desk Management System	57	Subscription Counter Tracking Module
28	Appointment Procedure Management System	58	Mobile Doctor Examination Man. System
29	Pregnant Education Management System	59	Online Examination Module (Videocall)
30	Diabetes Education Management System	60	Mobile Patient Management System

(Amounts are expressed in Turkish Lira ("TL" unless otherwise stated)

1. ORGANIZATION AND OPERATIONS OF THE GROUP (Continued)

The Company's main product is Fonet HIS ("Hospital Information Management System"). Fonet HIS ensures that all medical, administrative and financial business processes of health institutions are managed within the automation system. Fonet HIS consists of 60 separate software modules. Fonet HIS has been developed completely by their own engineers and actively operates in over 200 health institutions including hospitals in Somalia, Azerbaijan and the Republic of Moldova.

The average number of personnel employed within the Group as of 31 March 2021 is 434 (31 December 2020: 453 personnel).

Detailed personnel information is as follows:

	31 March 2021	31 March 2020
Personnel with permanent contracts	117	119
Personnel with fixed-term service contracts within the scope of contracts made with hospitals	317	334
Total	**434**	**453**

The shareholders of the Group and shares are as follows:

	31 March 2021		31 December 2020	
Shareholders	**Share Amount**	**Rate %**	**Share Amount**	**Rate %**
Abdülkerim GAZEN	19.333.333	48.33	19.333.333	48.33
Other (Public)	20.666.667	51.67	20.666.667	51.67
Paid Capital	**40.000.000**	**100.00**	**40.000.000**	**100.00**

The Group's issued capital consists of 40.000.000 shares, all with a par value of 1 Turkish Liras each as at 31 March 2021 (31 December 2020: 40.000.000 shares).

As of 31 March 2021, 2,222,000 shares of 40,000,000 shares consist of Group A shares and 37,778,000 shares consist of Group B shares. Group A shares has a privilege in determining the members of the board of directors and in exercising voting rights in the general assembly.

At the ordinary and extraordinary general assembly meetings to be held by the Group, group (A) shareholders have 15 voting rights for each share, and Group (B) shareholders have 1 voting right for each share.

The Group has accepted the registered capital system in accordance with the provisions of the Capital Market Law and has been involved to the registered capital system with the permission of the Capital Markets Board dated 27.02.2015 and numbered 5/253. The Group's registered capital ceiling amount is 100.000.000 TL, all with a par value of 1 Turkish Liras and total shares are 100.000.000. The permission of the registered capital ceiling valid date is between 2019- 2023.

(Amounts are expressed in Turkish Lira ("TL" unless otherwise stated)

1. ORGANIZATION AND OPERATIONS OF THE GROUP (Continued)

Subsidiaries fully consolidated included in the accompanying consolidated financial statements:

Pidata Bilişim Teknolojileri Anonim Şirketi ("Pidata")

The Group was established on 16 July 2018 and registered in Ankara. The establishment of the Group was announced in the Turkish Trade Registry Gazette dated 19 July 2018, numbered 9624. The shares of Pidata is owned completely by Fonet Bilgi Teknolojileri Anonim Şirketi.

Company Title	Main operating activity	Main operating activity type	Country	Established year
Pidata Bilişim Teknolojileri A.Ş.	Information Technology	Service	Turkey/Ankara	2018

From hereon after, Fonet Bilgi Teknolojileri Anonim Şirketi and the aforementioned subsidiary will be referred as "Group" or "Community".

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of Presentation

Financial reporting standards

The accompanying consolidated financial statements of the Group have been prepared in accordance with the communiqué numbered II-14,1 "Communiqué on the Principles of Financial Reporting In Capital Markets" (the Communiqué) announced by Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") on 13 June 2013 which is published on Official Gazette numbered 28676 in order to comply with Turkish Accounting Standards / Turkish Financial Reporting Standards ("TFRS") and interpretations prepared in compliance with international standards. These standards are updated in parallel to the changes made in International Financial Reporting Standards ("IFRS").

The consolidated financial statements are presented in accordance with "Announcement regarding with TAS Taxonomy" which was published on 15 April 2019 and numbered 30794 by POA and the format and mandatory information recommended by CMB.

Presentation and Functional Currency

The interim condensed consolidated financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the functional and presentation currency of the Group is accepted as Turkish Lira "TL".

Going Concern

Consolidated financial statements have been prepared on the basis of continuity of the business, assuming that the Group will benefit from its assets and fulfill its liabilities within the next year and within the natural flow of its operations.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.1 Basis of Presentation (Continued)

Comparatives and Restatement of Prior Periods’ Financial Statements

The consolidated financial statements of the Group include comparative financial information to enable the determination of the trends in the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current period consolidated financial statements and the significant changes are explained.

Effects of COVID-19

The spread of COVID-19 declared as a pandemic by the World Health Organization in the world and Turkey in March 2020 and the measures taken against the pandemic has led to disruptions in operations in all countries exposed to the pandemic and has led to adverse economic conditions both globally as well as in Turkey In terms of the economic effects of the pandemic, the Group management thinks that it will not be exposed to a significant negative impact due to Covid-19 as of the reporting date.

Netting / 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.

2.2. Changes in Accounting Policies

Accounting policies are amended if the Group’s financial position, performance or cash flows and the effects of events are likely to result in a more appropriate and reliable presentation of the consolidated financial statements. If the amendments to the accounting policies affect previous periods, the policy is applied retroactively in the consolidated financial statements as if the policy have always been exercised. Accounting policy changes arising from the application of a new standard shall be applied retroactively or in accordance with the transition provisions of the standard, if any. Changes that are not covered by any transitional provision are applied retrospectively.

2.3. Restatement and Errors in the Accounting Policies and Estimates

Any change in the accounting policies resulted from the first-time adoption of a new standard is made either retrospectively or prospectively in accordance with the transition requirements. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period consolidated financial statements. If changes in accounting estimates are related to only one period, they are recognized in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively.

The Group captures, valuates and presents financial statements of similar transactions, events and circumstances consistently. Significant accounting errors are applied retrospectively, and the prior period financial statements are restated. The Group has applied its accounting policies consistent with the previous year.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.4. Significant Change in the Accounting Policies

Accounting policies are amended if the Group's financial position, performance or cash flows and the effects of events are likely to result in a more appropriate and reliable presentation of the financial statements. If the amendments to the accounting policies affect previous periods, the policy is applied retroactively in the financial statements as if the policy have always been exercised. Accounting policy changes arising from the application of a new standard shall be applied retroactively or in accordance with the transition provisions of the standard, if any. Changes that are not covered by any transitional provision are applied retrospectively.

2.5. New and Amended Standards and Interpretations

Standards issued but not yet effective and not early adopted as at 31 March 2021

a) Changes that have been published but not effective and not early implemented.

A number of new standards, interpretations of and amendments to existing standards are not effective at reporting date and earlier application is permitted; however the Group has not early adopted are as follows:

COVID-19-Related Rent Concessions beyond 30 June 2021 (the 2021 amendment)

IASB has extended the practical expedient by 12 months – permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022. The original amendment was issued in May 2020 to make it easier for lessees to account for covid-19-related rent concessions, such as rent holidays and temporary rent reductions, while continuing to provide useful information about their leases to investors. Related changes were published by POA as Amendments to TFRS 16 on April 7, 2021.

The amendment is effective for annual reporting periods beginning on or after 1 April 2021. Lessees are permitted to apply it early, including in financial statements not authorised for issue. The 2021 amendments are applied retrospectively with the cumulative effect of initially applying it being recognised in opening retained earnings.

The original version of the practical expedient was, and remains, optional. However, the 2021 amendments are, in effect, not optional. This is because a lessee that chose to apply the practical expedient introduced by the 2020 amendments has to consistently apply the extension to eligible contracts with similar characteristics and in similar circumstances.

This means that lessees will need to reverse previous lease modification accounting if a rent concession was ineligible for the original practical expedient under the 2020 amendments but becomes eligible as a result of the extension.

Reference to the Conceptual Framework (Amendments to TFRS 3)

In May 2020, IASB issued Reference to the Conceptual Framework, which made amendments to IFRS 3 Business Combinations. The amendments updated IFRS 3 by replacing a reference to an old version of the Board's Conceptual Framework for Financial Reporting with a reference to the latest version, which was issued in March 2018. And then, TFRS 3 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. New and Amended Standards and Interpretations (Continued)

a) Changes that have been published but not effective and not early implemented. (continued)

Property, Plant and Equipment—Proceeds before Intended Use (Amendments to TAS 16)

In May 2020, IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment. The amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Group is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

The amendments improve transparency and consistency by clarifying the accounting requirements—specifically, the amendments prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Group is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. And then, TAS 16 amendment was issued on 27 July 2020 by POA to reflect these amendments.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to TAS 37)

In May 2020, IASB issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. And then, TAS 37 amendment was issued on 27 July 2020 by POA to reflect these amendments.

IASB developed amendments to TAS 37 to clarify that for the purpose of assessing whether a contract is onerous, the cost of fulfilling the contract includes both the incremental costs of fulfilling that contract and an allocation of other costs that relate directly to fulfilling contracts.

The Group shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted.

Classification of Liabilities as Current or Non-current (Amendments to TAS 1)

On 23 January 2020, IASB issued "Classification of Liabilities as Current or Non-Current" which amends IAS 1 Presentation of Financial Statements to clarify its requirements for the presentation of liabilities in the statement of financial position which are issued by POA on 12 March 2020 as amendments to TAS 1.

The amendments clarify one of the criteria in TAS 1 for classifying a liability as non-current—that is, the requirement for an entity to have the right to defer settlement of the liability for at least 12 months after the reporting period.

The amendments include:

a. Specifying that an entity's right to defer settlement must exist at the end of the reporting period;

b. Clarifying that classification is unaffected by management's intentions or expectations about whether the entity will exercise its right to defer settlement;

c. Clarifying how lending conditions affect classification; and

d. Clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. New and Amended Standards and Interpretations (Continued)

a) Changes that have been published but not effective and not early implemented. (continued)

Classification of Liabilities as Current or Non-current (Amendments to TAS 1) (Continued)

The Group shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, IASB decided to defer the effective date of IAS 1 until 1 January 2023 with the amendment published on 15 July 2020, and the amendment was issued by POA on 15 January 2021.

The Group does not expect that application of these amendments to IAS 1 will have significant impact on its consolidated financial statements.

Annual Improvements to TFRS Standards 2018–2020

Improvements to TFRSs

For the current standards, "Annual Improvements in TFRSs / 2018-2020 Cycle" published by POA on 27 July 2020 is presented below. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Group does not expect that application of these improvements to TFRSs will have significant impact on its consolidated financial statements.

TFRS 1 First-time Adoption of International Financial Reporting Standards

This amendment simplifies the application of TFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts TFRS Standards later than its parent and applies TFRS 1.D16(a), then a subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to TFRSs. This amendment will ease transition to TFRS Standards for subsidiaries applying this optional exemption by i) reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

TFRS 9 Financial Instruments

This amendment clarifies that – for the purpose of performing the ''10 per cent test' for derecognition of financial liabilities – in determining those fees paid net of fees received, a borrower includes only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

b) Amendments are effective on 1 January 2021

Changes that have become effective and have been adopted for annual periods beginning on or after 1 January 2021:

1) Interest Rate Benchmark Reform – Phase 2 – Amendments to TFRS 9 Financial Instruments, TAS 39 Financial Instruments: Recognition and Measurement, TFRS 7 Financial Instruments: Disclosures, TFRS 4 Insurance Contracts and TFRS 16 Leases.

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not yet issued by POA

The following standards, interpretations of and amendments to existing IFRS standards are issued by the IASB but these standards, interpretations and amendments to existing IFRS standards are not yet adapted/issued to TAS by the POA, thus they do not constitute part of TAS. Such standards, interpretations and amendments that are issued by the IASB but not yet issued by the POA are referred to as IFRS or IAS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TAS.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. New and Amended Standards and Interpretations (Continued)

b) Amendments are effective on 1 January 2021 (continued)

The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not yet issued by POA (Continued)

Accordingly, standards published by IASB but not currently published by POA are referred to as IFRS or IAS. The Group will make the necessary changes in its consolidated financial statements and footnotes after these standards and interpretations become effective in TFRS.

Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)

IASB has issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures on 12 February 2021.

The key amendments to IAS 1 include:

- Requiring companies to disclose their material accounting policies rather than their significant accounting policies;
- Clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
- Clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

IASB also amended IFRS Practice Statement 2 to include guidance and two additional examples on the application of materiality to accounting policy disclosures.

The amendments are consistent with the refined definition of material previously:

"Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements".

The amendments are effective from 1 January 2023 but companies can apply it earlier.

The Group does not expect that application of these amendments to Amendments to IAS 1 and IFRS Practice Statement 2) will have significant impact on its consolidated financial statements.

Definition of Accounting Estimates (Amendments to IAS 8)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty which is issued by IASB on 12 February 2021.

The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that a company develops an accounting estimate to achieve the objective set out by an accounting policy.

Developing an accounting estimate includes both:

- selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and

- choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remains unchanged.

(Amounts are expressed in Turkish Lira ("TL" unless otherwise stated)

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.5. New and Amended Standards and Interpretations (Continued)

Definition of Accounting Estimates (Amendments to IAS 8) (Continued)

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the Group applies the amendments. The Group does not expect that application of these amendments to Amendments to IAS 8 and IFRS Practice Statement 2) will have significant impact on its consolidated financial statements.

2.6. Summary of Significant Accounting Policies

Basis of consolidation

The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with TFRS applying uniform accounting policies and presentation.

Subsidiaries

As of 31 March 2021, the Group has control over financial and operating policies consolidated financial statements includes the financial statements of the subsidiaries.

As of 31 March 2021, the direct and indirect participation rates of the companies subject to consolidation are as follows

				Share Rate in Capital (%)	
Subsidiaries	**Place of Establishment and Activity**	**Main Operation**	**Currency**	**31 March 2021**	**31 December 2020**
Pidata Bilişim Teknolojileri A.Ş.	Turkey/Ankara	Information Technologies	Turkish Lira	100,00%	100,00%

If the parent company controls more than half of the voting rights in a partnership, directly or indirectly, and the entity has the authority to manage its financial and operational policies, control is considered to exist. In consolidation of financial statements, all profits and losses, including intercompany balances, transactions and unrealized profits and losses are offset. Consolidated financial statements are prepared by applying consistent accounting policies for similar transactions and accounts. The financial statements of the subsidiaries are prepared for the same accounting period as the parent company. Subsidiaries begin to be consolidated from the date the control passes to the Group, and the consolidation process ends when the control leaves the Group. Income and expenses of subsidiaries purchased or disposed during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date of purchase to the date of disposal.

In case of a situation or event that may cause any change in at least one of the criteria listed above, the Group re-evaluates whether it has control power over its investment.

Non-controlling shares in the net assets of the subsidiaries included in consolidation are included as a separate item in the Group's equity. Equity of the consolidated subsidiaries and non-parent shares within the current period operations are shown separately in the consolidated financial statements as non-controlling interests. Non-controlling shares consist of the amounts belonging to non-controlling shares at the first purchase date and the amount of non-parent shares in changes in the shareholder's equity starting from the date of purchase. Total comprehensive income is transferred to parent shareholders and non-controlling shares, even if non-controlling interests result in negative balance.

In cases where the Group does not have majority voting right over the invested company / asset, it has control power over the invested company / asset if there is sufficient voting right to direct / manage the activities of the relevant investment. The Group takes into account all relevant events and conditions in the assessment of whether the majority of votes in the relevant investment is sufficient to provide control power, including the following factors.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

Basis of consolidation (Continued)

Subsidiaries (Continued)

- Comparison of the voting right of the company with the voting right of other shareholders;
- Potential voting rights of the company and other shareholders;
- Rights arising from other contractual agreements, and
- Other events and conditions that may indicate whether the Group has current power in managing the relevant activities (including voting at previous general meetings) in cases where a decision is required.

If necessary, adjustments are made in the financial statements of the subsidiaries to match the accounting policies followed by the Group.

Cash flows related to all intra-group assets and liabilities, equity, income and expenses and transactions between the Group companies are eliminated in consolidation.

Unrealized income and expenses arising from intra-group transactions, intra-group balances and intra-group transactions are mutually deleted during the preparation of consolidated financial statements.The profits and losses resulting from the transactions between the subsidiary and the parent and the subsidiaries subject to consolidation and jointly controlled partnerships are netted off in proportion to the share of the parent.Unrealized losses are deleted in the same way as unrealized gains unless there is evidence of impairment.

Full Consolidation Method

Paid-in capital and statement of financial position items of the Group and its subsidiaries were collected. In the collection process, the receivables and debts of the partnerships subject to consolidation method have been mutually reduced.

- Paid-in capital of the consolidated statement of financial position is the paid-in capital of the Group; paid-in capital of subsidiaries is not included in the consolidated balance sheet.
- From all equity group items including the paid / issued capital of the subsidiaries within the scope of consolidation, the amounts corresponding to the shares other than the parent and subsidiaries have been reduced and the consolidated financial following the equity account group of the status table, it is shown as the account group Non-Controlling Shares.
- Current and non-current assets purchased by partnerships subject to consolidation method as a result, adjustments are made to ensure that these assets are presented at the acquisition cost to the companies subject to consolidation method and are included in the consolidated balance sheet at the amount prior to the sales transaction.
- The comprehensive income statement items of the Group and its subsidiaries were collected separately, and the sales of goods and services made by the companies subject to consolidation were reduced from the total sales and the cost of the goods sold.

The profit arising from the purchase and sale of goods between these partnerships regarding the stocks of the companies subject to consolidation method has been added to the cost of the goods sold by deducting from the stocks in the consolidated financial statements, and the loss has been reduced from the cost of the goods sold.

- The portion of the subsidiaries within the scope of consolidation that hits shares other than those subject to consolidation method from net profit or loss is shown as the ―Non-Controlling Shares‖ account group after the net consolidated period profit.
- In cases deemed necessary, adjustments have been made to make the financial statements of the subsidiaries in accordance with the accounting principles applied by other in-group companies.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

Related parties

For the purpose of these financial statements, shareholders, key management personnel and Board members, in each case together with their families and companies controlled by/or affiliated with them, associated companies and other companies within the Group are defined and referred to as related parties.

i) A person or a close member of that person's family is related to a reporting entity if that person:

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity;
- is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.;

ii) The entity and the reporting entity are members of the same Group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

iii) Both entities are joint ventures of the same third party.

iv) The party is a member of the key management personnel of the Group or its parent;

v) The party is a close family member of any individual mentioned in (i) or (iv) articles;

vi) The entity is a; business that is controlled, jointly controlled, under significant influence or an individual abovementioned in (iv) or (v) has direct or indirect significant voting rights; or

vii)The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

Transaction with related party is a transfer of resources, services or liabilities between the reporting entity and the related party, disregarding it is with or without a value.

Trade receivables

Trade receivables that are created by way of providing goods or services directly to a debtor are carried at amortized cost. Trade receivables, net of unearned financial income, are measured at amortized cost, using the effective interest rate method, less the unearned financial income. Short duration receivables with no stated interest rate are measured at the original invoice amount unless the effect of imputing interest is significant.

A doubtful receivable provision for trade receivables is established if there is objective evidence that the Group will not be able to collect all amounts due. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception.

If the amount of the impairment subsequently decreases due to an event occurring after the write-down, the release of the provision is credited to other operating income.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

Recognition of the revenue

The Group transfers a committed good or service to its customer and records the revenue in its financial statements as it fulfills or obtains its performance obligation. When an asset is in control (or as it passes) to the customer, the asset is transferred.

The Group records revenue in its financial statements in accordance with the following basic principles:

- Determination of contracts with customers,
- Determination of performance obligations in the contract,
- Determination of the transaction price in the contract,
- Dividing the transaction price into performance obligations in the contract,
- Accounting of revenue when each performance obligation is fulfilled)

The Group accounts for a contract with its customer as revenue if all of the following conditions are met:

- The parties to the contract have approved the contract (in writing, verbally or in accordance with other commercial practices) and undertake to perform their own actions,
- The company can define the rights related to the goods or services to be transferred by each party,)
- The Group can define payment terms for the goods or services to be transferred,
- The contract is inherently commercial in nature
- It is probable that the Group will collect a price for goods or services to be transferred to the customer. When evaluating whether a price is likely to be collected, the entity takes into account only the customer's ability to pay this amount on due date and the intention to do so.)

Revenue from product sales

The Group receives revenue by selling the software programs it produces. Revenue is recorded when products are handed over to the customer.

The Group revenue mainly consists of the sales revenue of the software product specified in the first footnote and the modules that are part of this product.

When another party is involved in providing the goods or services to the customer, the Group determines the quality of its commitment as a performance obligation to provide the specified goods or services in person (principal) or to mediate those goods or services provided by the other party (proxy). It is noble if the Group checks the specified goods or services before transferring those goods or services to the customer. In that case, when it fulfills (or brings) its obligation to perform, it records the revenue in the financial statements as much as the gross amount of the price it expects to deserve in return for the assigned goods or services.

If the Group acts as an intermediary in the provision of goods or services whose performance obligation is determined by another party, it is a proxy and does not reflect the revenue in the financial statements for the performance obligation in question.

If the Group is entitled to collect a price directly corresponding to the value of its completed performance from its customers (in the delivery of the products), the Group records the revenue in the financial statements as much as it has the right to invoice. The Group does not make any adjustments at the beginning of the contract, since the period between the transfer date of the goods and services promised to the customer and the date when the customer pays the price of this goods or service will be one year or less, there will be no impact on the promised financing component.

The Group does not have contract assets arising from its contracts with its customers and contract costs to be capitalized regarding the said contracts.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

Financial assets

Financial assets other than those that are classified as financial assets whose fair value difference is reflected in profit or loss and recorded at fair value are accounted for their total market value and the total amount of expenses directly attributable to the purchase transaction. As a result of the purchase or sale of financial assets, which are bound to a contract that has the condition of delivery of the investment instruments in accordance with the period determined by the relevant market, the relevant assets are recorded or removed from the records at the transaction date.

Financial assets are classified as financial assets whose fair value difference is reflected in profit or loss‖, investments held to maturity, financial assets available for sale and loans and receivables. The classification is determined during the first registration, depending on the purpose and characteristics of the financial asset. The Group does not have ―financial assets with fair value difference reflected in profit or loss‖ and ―investments to be held until maturity‖.

Effective interest method

Effective interest method is the method of evaluating the financial asset with the amortized cost and distributing the related interest income to the related period. Effective interest rate; It is the rate that reduces the estimated cash total to be collected during the expected life of the financial instrument or, if appropriate, during a shorter period of time, to the net present value of the financial asset.

Income related to financial assets classified with the exception of financial assets whose fair value difference is reflected to profit or loss is calculated by using effective interest method.

Financial assets available for sale

Quoted equity instruments and some debt securities are listed as available-for-sale financial assets and are shown at fair value. The Group has equity instruments that are not traded in an active market and are not quoted on the stock market but are classified as available-for-sale financial assets, and are shown at cost because their fair values cannot be measured reliably. Except for the depreciation recorded in the income statement, interest rate and monetary assets, exchange rate difference profit / loss calculated using the effective interest method, gains and losses arising from changes in fair value are recognized in other comprehensive income and financial assets are accumulated in the value increase fund.

In the event of an investment disposal or impairment, the total profit / loss accumulated in the financial assets' appreciation fund is classified in the income statement. Dividends related to equity instruments ready for sale are recognized in the income statement, when the Group has the right to receive dividends. The Group does not have any financial assets investment ready for sale.

Loans and receivables

Commercial and other receivables and loans with fixed and determinable payments that are not traded in the market are classified in this category. Loans and receivables are shown by deducting the impairment from their discounted cost by using the effective interest method.

Impairment of financial assets

Financial assets or groups of financial assets, other than financial assets whose fair value difference is reflected in profit or loss, are assessed at each balance sheet on whether there are indicators of impairment. Impairment loss occurs when one or more events occur after the initial recognition of the financial asset and the adverse impact of that event on the future cash flows that can be reliably predicted by the relevant financial asset or group of assets is impaired. The depreciation amount for the financial assets shown from their amortized value is the difference between the present value calculated by discounting the expected expected cash flows over the effective interest rate of the financial asset and the book value.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

Financial assets (Continued)

Impairment of financial assets (Continued)

Except for trade receivables, where the carrying amount is reduced through the use of a reserve account, the impairment is directly deducted from the book value of the relevant financial asset. If the trade receivable is not collected, the amount in question is deleted by deducting from the reserve account. Changes in reserve account are accounted for in the income statement.

Except for the equity instruments available for sale, if the impairment loss decreases in the following period and the decrease can be associated with an event that occurred after the impairment loss is recognized, the impairment loss previously recognized will not exceed the amortized cost at the date when the impairment was not recognized. is cancelled in the income statement. The increase in the fair value of equity instruments available for sale after the impairment is directly accounted in equity.

Cash and cash equivalents

Cash and cash equivalents include cash, demand deposits and other short-term highly liquid investments with maturities less than 3 months or 3 months from the date of purchase, which can be immediately converted to cash and without significant risk of value change.

Financial liabilities

Financial liabilities are recorded with their values after the transaction expenses are deducted from the financial debt amount received on the date of receipt. Financial liabilities are followed in the financial statements with their discounted values calculated with effective interest rate on the following dates. The difference between the amount of the financial debt received (excluding transaction expenses) and the repayment value is recognized on the accrual basis during the financial debt period in the statement of profit or loss. Financial debts are classified as short-term liabilities if the Group does not have unconditional right such as postponing the liability for 12 months from the balance sheet date.

Trade payables

Trade payables are recorded at their fair values and are subsequently accounted for at their discounted values using the effective interest rate.

Recording and extraction of financial assets and liabilities

All financial asset purchases and sales are reflected in the records on the transaction date, that is, on the date when the Group commits to buy or sell the asset. Aforementioned purchases and sales are trades that require the delivery of the financial asset within the timeframe determined by the general practices and regulations that occur in the market.

A financial asset (or part of a financial asset or group of similar financial assets);

- period regarding the right to obtain cash flow from the asset has expired;)
- Although the Group has the right to obtain cash flow from the asset, in the event that it has an obligation to pay the whole party without spending too much time under an agreement that has to be transferred directly to third parties;
- If the Group has transferred its right to obtain cash flows from the financial asset and (a) all risks or rewards related to the asset have been transferred or (b) all rights or rewards have not been transferred, they are removed from the records.

In the event that the Group delegates its right to obtain cash flow from the asset, however, if all risks or interests are not transferred or transferring control over the asset, the asset is carried in the financial statements depending on the Group ‘s ongoing relationship with the asset.

Financial liabilities are removed from the records in case the debts arising from these liabilities are eliminated, cancelled and expired.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

Inventories

It is the item that shows assets that are held to be sold for sale in the normal course of business, that are produced to be sold or that are found in the form of items and materials to be used in the production process or service delivery. Order advances given are classified as other current assets until the relevant stock is recognized.

Inventories are valued at the lower of cost or net realizable value. Costs comprise purchase cost and, where applicable and those overheads that have been incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Financing costs incurred for inventories purchased on deferred settlement terms are excluded from the cost of inventories. Cost is calculated by the weighted average method. The acquisition cost of each item of inventory is discounted to net realizable value. This discount is made by impairment provision of the inventory.

Investment property

Investment properties are properties that are held for the purpose of earning rental and / or appreciation gains and are first measured by their cost values and the transaction costs involved.

The Group does not have investment properties.

Property, plant and equipment

Property, plant and equipment are revealed the amount after deducting accumulated depreciation and accumulated impairment. Assets for hire or administration purpose assets or assets which are in construction phase are revealed the amount which is deducted by the possible impairment cost. Legal fees are included to the costs. When there is time needed for the assets to be used or sale, borrowing costs related to asset are capitalized according to the related accounting policies of the Group. These types of assets are subjected to depreciation, like depreciation method used for other fixed assets, when they are ready to use

Except land and continuing investments, tangible assets' cost or amounts are depreciated by linear depreciation method according to their expected useful life. Expected useful life, remainder value and depreciation method, is revised in order to determine the possible effects of change every year and capitalized.

Comprised revenues or losses from sale of tangible assets or getting it out from service, is determined as the difference of sales revenue and assets' book value and included in the income statement.

The Group follows its vehicle at revaluation value model. After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued.

If an asset is carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus.

(Amounts are expressed in Turkish Lira ("TL" unless otherwise stated)

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

Property, plant and equipment (Continued)

Cost Method
Tangible assets are shown over the amount after deducting accumulated depreciation and accumulated impairment from cost values.

Assets that are under construction for leasing or administrative purposes or for other purposes that are not already determined are shown by deducting impairment loss, if any, from their cost value. Legal fees are also included in the cost. Such assets, like the depreciation method used for other fixed assets, are subject to depreciation when they are ready for use.

Except for land and ongoing investments, the cost amounts of tangible assets are depreciated using the straight-line method, according to their expected useful lives. The expected useful life, residual value, and depreciation method are reviewed annually for possible effects of changes in estimates, and if there is a change in estimates, they are recognized prospectively.

The gain or loss resulting from the disposal of the tangible assets or the removal of a tangible fixed asset is determined as the difference between the sales revenue and the book value of the asset and included in the income statement.

	Useful Life 31 March 2021	Useful Life 31 December 2020
Buildings	50 years	50 years
Vehicles	5 years	5 years
Furniture and fittings	3-15 years	3-15 years
Leasehold improvements	3-15 years	3-15 years

Intangible assets and amortization

Intangible assets acquired
Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in accounting estimates for on a prospective basis.

Derecognition of intangible assets
When an intangible asset is disposed of, or if no future economic benefits are expected from its use or sale, the statement of financial position (balance sheet) is excluded. Profit or loss arising from the exclusion of an intangible asset from the statement of financial position (balance sheet) is calculated as the difference between net collections and book values obtained from disposal of assets, if any. This difference is recognized in profit or loss when the related asset is taken out of the statement of financial position (balance sheet).

Computer software
Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives.

Evaluation of research costs and development costs under Articles 52 to 67 of TAS 38;
Planned activities with the aim of obtaining new technological information or findings are defined as research and expense is recorded when the research expenses incurred at this stage are realized.

The application of research findings or other information to a plan prepared to produce new or significantly improved products, processes, systems or services is defined as development and is included in the financial statements as intangible assets resulting from development if all of the following conditions exist.

(Amounts are expressed in Turkish Lira ("TL" unless otherwise stated)

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

Intangible assets and amortization (Continued)

Evaluation of research costs and development costs under Articles 52 to 67 of TAS 38 (Continued);
Intangible fixed assets created within the company resulting from development activities (or the development phase of an in-house project) are registered only when all of the following conditions are met:

- It is technically possible to complete the intangible asset so that it is ready for use or ready for sale,
- Intention to complete, use or sell the intangible asset,
- The intangible asset can be used or sold, it is clear how the asset will provide a possible future economic benefit,
- Appropriate technical, financial and other resources are available to complete the development of the intangible asset, to use or sell it; and
- The development cost of the asset can be reliably measured in the development process.

The amount of intangible assets created within the enterprise is the Total amount of the expenditures incurred from the moment the intangible asset meets the accounting requirements stated above. When intangible assets created within the business cannot be recorded, development expenses are recorded as expense in the period they occur. After initial accounting, intangible assets created within the business are also shown over the amount after deducting accumulated depreciation and accumulated impairments from cost values such as separately purchased intangible assets.

The Group purchases some of the intangible assets from outside, under the paragraphs 27 to 32 of TAS 38. In this context, it activates the costs obtained separately and which are directly related to the asset. In particular, the costs incurred in accordance with the 28th paragraph of TAS 38 are activated.

	Useful Life 31 March 2021	Useful Life 31 December 2020
Rights	10-15 years	10-15 years
Devolopment costs	12 years	12 years
New HBYS working in Java based cloud	15 years	15 years
Web portals	5 years	5l years
Other intangible fixed assets	3-10 years	3-10 years

Leases

The Group - as a lessee
At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group considers following indicators for the assessment of whether a contract conveys the right to control the use of an identified asset for a period of time or not:

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

The Group - as a lessee (Continued)

- The contract includes an identified asset (contract includes a definition of a specified asset explicitly or implicitly),
- A capacity portion of an asset is physically distinct or represents substantially all of the capacity of an asset (if the supplier has a substantive right to substitute the asset and obtain economic benefits from use of the asset, then the asset is not an identified asset),
- Group has the right to obtain substantially all of the economic benefits from use of the identified asset,
- Group has the right to direct the use of an identified asset.

The Group recognises a right-of-use asset and a lease liability at the commencement date of the lease following the consideration of the above mentioned factors.

The Group has the right to direct the use of the asset throughout the period of use only if either:

a) The Group has the right to direct how and for what purpose the asset is used throughout the period of use or

b) Relevant decisions about how and for what purpose the asset is used are predetermined:
  i. The Group has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or
  ii. The Group designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

Right-of-use asset
At the commencement date, the Group measures the right-of-use asset at cost. The cost of the right-of-use asset comprises:

a) the amount of the initial measurement of the lease liability,
b) any lease payments made at or before the commencement date, less any lease incentives received,
c) any initial direct costs incurred by the Group, and
d) an estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

When applying the cost model, Group measures the right-of-use asset at cost:

a) less any accumulated depreciation and any accumulated impairment losses; and
b) adjusted for any remeasurement of the lease liability. Group applies the depreciation requirements in TAS 16 Property, Plant and Equipment Standard in depreciating the right-of-use asset.

Group applies TAS 36 Impairment of Assets Standard to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

Leases (Continued)

The Group - as a lessee (Continued)

<u>Lease liability</u>
At the commencement date, the Group measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted by using the interest rate implicit in the lease, if that rate can be readily determined, or by using the Group's incremental borrowing rate.

The lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:,

a) fixed payments, less any lease incentives receivable,
b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
c) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After the commencement date, the Group measures the lease liability by:

a) increasing the carrying amount to reflect interest on the lease liability,
b) reducing the carrying amount to reflect the lease payments made, and
c) remeasuring the carrying amount to reflect any reassessment or lease modifications. The Group recognises the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

<u>Practical expedients</u>
The short-term lease agreements with a lease term of 12 months or less and agreements related to information technology equipment leases (mainly printer, laptop, mobile phone etc.), which are determined by the Group as low value, have been evaluated within the scope of practical expedients introduced by the TFRS 16 Leases Standard and related lease payments are recognised as an expense in the period in which they are incurred.

The Group - as a lessor
All the leases that the Group is the lessor are operating leases. Assets leased out under operating leases are classified under investment properties, property, plant and equipment or other current assets in the consolidated balance sheet. Rental income is recognised in the consolidated statement of income on a straight-line basis over the lease term.

Impairment of assets

Impairment test is applied when it is not possible to recover assets' book value which is subject to depreciation. Provision of impairment is entered when asset's book value is higher than its recoverable value. Recoverable amount, after deducting sales costs, is fair value or value in use whichever is higher. In order to evaluate impairment, assets are grouped into lowest level of separate definable cash flows (cash generating units). Except goodwill, nonfinancial assets which are subject to impairment are revised in every reporting periods in case when there is a possibility of cancellation of impairment.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (continued)

2.6. Summary of Significant Accounting Policies (Continued)

Borrowing costs and funds

Group reflects borrowing costs as financing cost during credit period in its comprehensive income statement. Financing cost which is sourced from credits is recorded to comprehensive income statement when they occur.

Energy producing plants can be evaluated as a specialty asset depending on conditions. Acquiring, constructing, or borrowing costs that can be directly related to producing of a specialty asset can be capitalized as a part of specialty asset's cost by firms. Firms can book the other borrowing costs as an expense in their occurred period

Acquiring, constructing, or borrowing costs that can be directly related to producing of a specialty asset is added to cost of the asset. This kind of borrowing costs is capitalized as a part of specialty asset's cost for a dependable measure and for a possible situation that it can make an economic contribution to company. Acquiring, constructing, or borrowing costs that can be directly related to producing of a specialty asset are borrowing costs that will not appear in case that there will be no expense done related to specialty asset.

If a company is get into debt in order to acquire a specialty asset, the borrowing cost amount that will be capitalized will be determined by deducting income that is gained via temporary exploiting aforesaid funds from borrowing cost of the aforesaid borrowing in the related period.

In the case of a company uses a part of the funds that it is get in to debt for general purposes in order to finance a qualifying asset; the borrowing cost amount that can be capitalized; is determined via using capitalizing rate that will be applied to expenses that related asset. This capitalizing rate is the weighted average of the all existing borrowing of the related period to borrowing costs, except the borrowings that is done for acquiring the qualifying asset. The borrowing cost amount that is capitalized for a period, cannot exceed consisted the borrowing cost in related period.

When the all necessary proceedings virtually is completed for asset's intended usage and getting ready for sale, the capitalizing of borrowing costs will end. In the situation of a qualifying asset is completed in parts and every part can be used while other parts Continue to constructing; When the all necessary proceedings virtually is completed for certain part's intended usage and getting ready for sale, the capitalizing of borrowing costs of the related part will end.

In accordance with TAS 23 "borrowing costs", the group has added the principal exchange rate differences of the loans used to finance the construction of the qualifying asset to the capitalisation rate of the assets that are considered to be qualifying assets by taking into consideration the base interest rates prevailing on the date of the borrowings being used as TL. In the calculation made, the base interest rate was based on the representative interest rate at the date of the renewal of the contracts signed in the current period for all investment credits used if the same loans are used in TL under the same conditions.

Effects of exchange rate differences

Foreign currency (currencies other than TRY) transactions are entered in the accounts by taking the rates on the date of transactions during the preparation of company's financial statements. Foreign currency monetary assets and liabilities are exchanged into Turkish Lira by taking the valid rates on the balance sheet date. Foreign currency monitored nonmonetary items are exchanged into Turkish Lira with the rates when their fair value is set. Nonmonetary items which are measured by historical cost are not subject to be exchanged again. Foreign currency gain/loss is entered in the profit/loss accounts when they are realized.

During the preparation of the Group's financial statements, transactions in foreign currency (currencies other than TL) are recorded based on the exchange rates at the date of the transaction. Foreign currency indexed monetary assets and liabilities in the balance sheet are converted into Turkish Lira by using the exchange rates valid on the balance sheet date. Of the non-monetary items that are monitored with their fair value, those recorded in foreign currency are converted into TL based on the exchange rates on the date the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

Effects of exchange rate differences (Continued)

Foreign exchange differences are recognized in profit or loss in the period they occur except for the following situations:

- Exchange differences that are related to assets being built for future use and are included in the cost of such assets, which are considered as a correction item to interest costs on debts denominated in foreign currency,

- Foreign exchange differences arising from transactions to provide financial protection against risks arising from foreign currency (accounting policies for providing financial protection against risks are explained below),

- Foreign exchange differences arising from foreign debt and receivables arising from foreign operations, which are part of the net investment in foreign activity, accounted for in the reserve reserves and associated with profit or loss in the sale of the net investment, with no intention to pay or probability.

Earnings Per Share - Earnings per share from continuing operations

Earnings / loss amount per share, period profit / loss; The amount of profit / loss per share from continuing activities is calculated by dividing the period profit / loss from continuing activities by the time weighted average number of shares in the period.

In Turkey companies can increase their capital by giving out to shareholders ―free share‖ way which is from previous year's profit. This type of free share‖ distribution is set, in the calculation of earnings per share, average share number, and by considering previous effects of such share distribution.

In the calculation of earnings per share, there are no privileged shares or potential shares with dilution effect that will require correction.

Events subsequent to the balance sheet date

Events after the balance sheet date refer to events occurring in favor or against the Company between the balance sheet date and the date when the financial statements are approved for publication. Based on whether or not corrections are made, two types of situations are defined:

- Events requiring post-balance sheet correction; Situations where there are proofs of evidence of the existence of related -developments indicating that the relevant events occurred after the balance sheet date (events that do not require post-balance sheet correction)
- In the attached financial statements of the Group, events requiring correction after the balance sheet date are recorded and the events that do not require post-balance sheet correction are shown in the footnotes.

In the accompanying financial statements of the Group, the events requiring correction after the balance sheet date are recorded and the events that do not require correction after the balance sheet are shown in the footnotes.

Provisions, contingent asset and contingent liabilities

Provisions
Provision is made in the financial statements if there is an existing legal or implied obligation arising from past events and sources with economic benefits are likely to leave the Group and the liability amount is estimated safely to fulfill the obligation. Provisions are calculated according to the most realistic estimation made by the Group management of the expenditure to be made to fulfill the obligation as of the balance sheet date and discounted to its present value when the effect is significant.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

Provisions, contingent asset and contingent liabilities (Continued)

Contingent Liabilities
Liabilities included in this group are considered as contingent liabilities and are not included in the financial statements. Because, in order to fulfill the obligation, there is no possibility of the resources containing economic benefits to leave the business or the amount of the obligation cannot be measured reliably enough. The Group shows its contingent liabilities in the footnotes of the financial statements, unless the sources of economic benefits are far from likely to leave the business.

Contingent Asset
The asset, which will be confirmed by the occurrence of one or more inaccurate events arising from past events and whose existence is not under the full control of the business, is considered as a conditional asset. Contingent assets are explained in the footnotes of financial statements if the entry of resources with economic benefits is not definitive.

In cases where all or part of the economic benefits used to pay the allowance amount are expected to be met by third parties, the amount to be collected is recognized and reported as an asset if the reimbursement of this amount is definite and the amount is calculated reliably.

Taxes on income

Income tax expense is the sum of current tax and deferred tax expense.

Current tax
The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of income 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred Tax
The deferred tax liability or asset is determined by calculating the tax effects of the temporary differences between the amounts of the assets and liabilities shown in the financial statements and the amounts considered in the legal tax base account, taking into account the legal tax rates. While deferred tax liabilities are calculated for all taxable temporary differences, deferred tax assets consisting of deductible temporary differences are calculated provided that it is highly likely to benefit from such differences by obtaining taxable profit in the future.

Such assets and liabilities are not recognized if the temporary difference related to the transaction that does not affect commercial or financial profit / loss is due to the first time the goodwill or other assets and liabilities are included in the financial statements (other than business combinations)

Deferred tax liabilities are calculated for all taxable temporary differences associated with investments in subsidiaries and affiliates and shares in joint ventures, except when the Group can control the disappearance of temporary differences and the likelihood that this difference will disappear in the near future.

Deferred tax assets arising from taxable temporary differences associated with such investments and shares are calculated on the condition that it is highly probable to benefit from these differences by obtaining sufficient taxable profit in the near future and that the related differences are likely to disappear in the future.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Company is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

Taxes on Income (Continued)

Deferred Tax (Continued)
Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Company expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred 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 they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period
Current and deferred tax are recognized as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognized directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

Capital and dividends

Dividends receivable are recognized as income in the period when they are declared. Dividends payable are recognized as an appropriation of profit in the period in which they are declared.

Preparation of financial statements in accordance with TMS / TFRS requires management, implementation of policies and making decisions, estimates and assumptions affecting the reported asset, liability, income and expense amounts. Actual results may differ from these estimates.

Employee benefits

The provision for employment termination benefits, as required by Turkish Labour Law represents the present value of the future probable obligation of the Group arising from the retirement of its employees based on the actuarial projections.

TAS 19 "Employee Benefits" requires actuarial assumptions (net discount rate, turnover rate to estimate the probability of retirement etc.) to estimate the entity's obligation for employment termination benefits.

The effects of differences between the actuarial assumptions and the actual outcome together with the effects of changes in actuarial assumptions compose the actuarial gains / losses and recognised under other comprehensive income.

Reporting of cash flows

The Group organizes the cash flow statements in order to inform the users of the financial statements about the changes in the net assets, the financial structure and the ability to direct the amount and timing of the cash flows according to the changing conditions. In the cash flow statement, cash flows for the period are classified and reported based on operating, investment and financing activities.

Cash flows arising from operating activities show cash flows arising from the main activities of the Group. Cash flows related to investment activities show the cash flows used and obtained by the Group in its investment activities (fixed asset investments and financial investments). Cash flows related to financial activities show the resources used by the Group in financial activities and repayments of these resources.

(Amounts are expressed in Turkish Lira ("TL" unless otherwise stated)

2. BASIS OF PRESENTATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

2.6. Summary of Significant Accounting Policies (Continued)

Reporting of cash flows (Continued)

Cash and cash equivalents include cash and demand bank deposits, and short-term investments with high liquidity that can be easily converted to a certain amount of cash, with a maturity of 3 months or less.

Significant Accounting Judgments, Estimates and Assumptions

In the preparation of consolidated financial statements in accordance with TAS, the Group management is required to make assumptions and estimates that will affect the reported assets and liabilities amounts, the probable liabilities and commitments that will be realized as of the reporting date and the income and expense amounts in the reporting period and specify them in the related footnotes at the report. However, the uncertainties associated with these assumptions and estimates used may require adjustments to be recorded that may differ materially from the carrying amounts of these assets and liabilities in the future.

In order to eliminate the uncertainties regarding the future at the reporting date which estimates that could significantly affect the carrying amounts of the liabilities are as follows:

a) The Group makes various actuarial assumptions in the calculation of employee benefits such as discount rate, inflation rate, real salary increase rate, probability of voluntary departure (Note 14).

b) The Group has made certain important assumptions based on experiences of technical personnel in determining useful economic life of some machinery and equipment as of December 31, 2019. Therefore the estimates and assumptions made to determine their carrying value and related depreciation are material to the Group's financial position.(Note 10)

c) The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at FVTOCI, lease receivables, trade receivables and contract assets, as well as financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

3. BUSINESS COMBINATION

None (31 December 2020: None).

4. SEGMENT REPORTING

Fonet Bilgi Teknolojileri Anonim Şirketi. and its subsidiary Pidata Bilişim Teknolojileri A.Ş. operates in the same sector and in the same geographical regions.

5. CASH AND CASH EQUIVALENTS

	31 March 2021	**31 December 2020**
Cash	3.284	1.967
Banks:		
-Time deposits	1.876.220	1.044.566
-Demand Deposits	7.597.370	7.573.816
Total	**9.476.874**	**8.620.349**

As of the reporting period, the time deposits of the Group is comprised of TL assets, with a maturity range of approximately 2-32 days and interest rates between 13.12% and 18.35%.

6. FINANCIAL LIABILITIES

Current financial liabilities

	31 March 2021	31 December 2020
Bank borrowings	1.564.947	888.948
Current partion of non current liabilities	--	--
Lease liabilities	574.726	580.434
Other	201.015	250.448
Total	**2.340.688**	**1.719.830**

Non current financial liabilities

	31 March 2021	31 December 2020
Lease liabilities	395.205	737.192
Total	**395.205**	**737.192**

The redemption schedule of bank borrowings are as follows:

	31 March 2021	31 December 2020
0-3 month	1.765.962	1.139.396
3-12 month	--	--
Total	**1.765.962**	**1.139.396**

All of the loans are in Turkish Lira and the details of the CPM's against the loans received are given in Note 15.

The redemption schedule of liabilities arising from renting are as follows:

	31 March 2021	31 December 2020
1-2 years	574.726	580.434
2-3 years	187.091	461.172
3-4 years	126.060	177.729
4-5 years	82.054	98.291
Total	**969.931**	**1.317.626**

7. TRADE RECEIVABLES AND TRADE PAYABLES

Current Trade Receivables	31 March 2021	31 December 2020
Trade receivables from related parties (Note 24)	--	--
Trade receivables	19.542.284	16.087.502
Note receivables	--	610.000
Deferred financing incomes (-)	(403.361)	(175.514)
Provision for trade receivables (-)	(666.091)	(250.222)
Total	**19.138.923**	**16.521.988**

(Amounts are expressed in Turkish Lira ("TL" unless otherwise stated)

7. TRADE RECEIVABLES AND TRADE PAYABLES (Continued)

The movement table of the Group regarding provisions for trade receivables is as follows:

	31 March 2021	31 December 2020
Beginning of the period	**250.222**	**571.229**
Provision during the period (Note 21)	415.869	--
Provision cancelled during the period	--	(321.007)
End of the period	**666.091**	**250.222**

Non Current Trade Receivables	31 March 2021	31 December 2020
Trade payables	899.208	792.774
Deffered financing income (-)	(4.739)	(4.392)
Total	**894.469**	**788.382**

Current Trade Payables	31 March 2021	31 December 2020
Trade payables to related parties (Note 24)	--	--
Trade payables	1.820.376	1.005.723
Deferred financing income (-)	(7.182)	(4.065)
Total	**1.813.194**	**1.001.658**

8. OTHER RECEIVABLES and OTHER LIABILITIES

Other Current Receivables	31 March 2021	31 December 2020
Due from personnel	15.600	11.000
Deposits and guarantees given	141.256	147.469
Total	**156.856**	**158.469**

Other Non Current Receivables	31 March 2021	31 December 2020
Deposits and guarantees given	85.880	39.380
Total	**85.880**	**39.380**

Other Current Liabilities	31 March 2021	31 December 2020
Other payables to related parties (Note 24)	--	1.271.169
Taxes and funds payables	359.563	593.423
Total	**359.563**	**1.864.592**

(Amounts are expressed in Turkish Lira ("TL" unless otherwise stated)

9. INVENTORIES

	31 March 2021	31 December 2020
Merchandises	1.269.513	1.293.810
Total	**1.269.513**	**1.293.810**

Merchandise consist of the hardware and software inventories for various projects the Group has acquired.

10. PREPAID EXPENSES AND DEFERRED INCOMES

Current Prepaid Expenses	31 March 2021	31 December 2020
Prepaid expenses (*)	1.072.142	911.798
Advances given for business purposes	29.525	19.325
Total	**1.101.667**	**931.123**

Non Current Prepaid Expenses	31 March 2021	31 December 2020
Prepaid expenses (*)	583.817	722.604
Total	**583.817**	**722.604**

(*) The prepaid expenses include software licenses acquired in accordance with the contracts made within the scope of the tenders that the Group has participated in and are closed by monthly invoicing to the customers during the period.

Current Deferred Incomes	31 March 2021	31 December 2020
Deferred incomes	1.099.032	1.189.161
Total	**1.099.032**	**1.189.161**

Non Current Deferred Incomes	31 March 2021	31 December 2020
Deferred incomes	899.208	792.775
Total	**899.208**	**792.775**

(*) Under the Health Information Management System Usage License Contract signed with Medpark International Hospital, the largest private hospital of the Republic of Moldova, on 16 December 2020, the license usage fee of USD 300.000 will be collected within a period of 12 months in line with the payment plan determined by the parties. Although the maturity amounts are not equal, the payment schedule and progress payment amounts are calculated by weighting according to the project periods. After the end of the 24-month contract period, a new Maintenance and Technical Support Service Contract may be signed as a result of the conditions agreed by the parties.

(Amounts are expressed in Turkish Lira ("TL" unless otherwise stated)

11. PROPERTY, PLANT AND EQUIPMENT

Cost	31 December 2020	Addition	Disposal	31 March 2020
Buildings	1.500.000	--	--	1.500.000
Motor vehicles	1.722.576	--	--	1.722.576
Fixtures and fittings	3.877.253	16.711	--	3.893.964
Leasehold improvements	966.532	5.500	--	972.032
Total	**8.066.361**	**22.211**	**--**	**8.088.572**
Accumulated depreciation (-)				
Buildings	(300.000)	(7.500)	--	(307.500)
Motor vehicles	(858.419)	(80.770)	--	(939.189)
Fixtures and fittings	(2.337.138)	(155.848)	--	(2.492.986)
Leasehold improvements	(555.131)	(48.418)	--	(603.549)
Total	**(4.050.688)**	**(292.536)**	**--**	**(4.343.224)**
Net book value	**4.015.673**			**3.745.348**

Cost	31 December 2019	Addition	Disposal	31 December 2020
Buildings	1.500.000	--	--	1.500.000
Motor vehicles	1.722.576	--	--	1.722.576
Fixtures and fittings	3.472.335	404.918	--	3.877.253
Leasehold improvements	966.532	--	--	966.532
Total	**7.661.443**	**404.918**	**--**	**8.066.361**
Accumulated depreciation (-)				
Buildings	(270.000)	(30.000)	--	(300.000)
Motor vehicles	(535.338)	(323.081)	--	(858.419)
Fixtures and fittings	(1.768.172)	(568.966)	--	(2.337.138)
Leasehold improvements	(361.824)	(193.307)	--	(555.131)
Total	**(2.935.334)**	**(1.115.354)**	**--**	**(4.050.688)**
Net book value	**4.726.109**			**4.015.673**

The net book value of the tangible fixed assets are as follows:

	Net Book Value	
Property, Plant and Equipment	**31 March 2021**	**31 December 2020**
Buildings	1.192.500	1.200.000
Motor vehicles	783.387	864.157
Fixtures and fittings	1.400.978	1.540.115
Leasehold improvements	368.483	411.401
Total	**3.745.348**	**4.015.673**

As of 31 March 2021, there is an insurance coverage of TL 1.000.000 (31 December 2020: TL 1.088.500) on the total assets. There are no restrictions on real estates.

(Amounts are expressed in Turkish Lira ("TL" unless otherwise stated)

12. INTANGIBLE ASSETS

Cost	**31 December 2020**	**Addition**	**Disposal**	**31 March 2020**
Rights	9.365.727	--	6.591.783	15.957.510
Development costs ".net based HIS"	4.588.814	--	--	4.588.814
Development costs —Java based cloud system	76.167.988	3.751.102	(6.591.783)	73.327.307
Tales ERP	2.964.500	1.385.000	--	4.349.500
Total	**93.087.029**	**5.136.102**	**--**	**98.223.131**
Accumulated amortization (-)				
Rights	(5.384.033)	(259.603)	(743.997)	(6.387.633)
Development costs ".net based HIS"	(3.510.214)	(87.431)	--	(3.597.645)
Development costs —Java based cloud system	(11.476.957)	(1.159.102)	743.997	(11.892.062)
Tales ERP	(69.228)	(66.658)	--	(135.886)
Total	**(20.440.432)**	**(1.572.794)**	**--**	**(22.013.226)**
Net book value	**72.646.597**			**76.209.905**

Cost	**31 December 2019**	**Addition**	**Disposal**	**31 December 2020**
Rights	6.462.747	2.902.980	1.848.611	11.214.338
Development costs ".net based HIS"	4.588.814	--	--	4.588.814
Development costs — Java based cloud system	62.485.188	13.682.800	(1.848.611)	74.319.377
Other intangible assets		2.964.500	--	2.964.500
Total	**73.536.749**	**19.550.280**	**--**	**93.087.029**
Accumulated amortization (-)				
Rights	(4.975.910)	(408.123)	(162.967)	(5.547.000)
Development costs ".net based HIS"	(3.130.536)	(379.678)	--	(3.510.214)
Development costs — Java based cloud system	(6.850.414)	(4.626.543)	162.967	(11.313.990)
Other intangible assets	--	(69.228)	--	(69.228)
Total	**(14.956.860)**	**(5.483.572)**	**--**	**(20.440.432)**
Net book value	**58.579.889**			**72.646.597**

The net book value of the intangible fixed assets are as follows:

	Net Book Value	
Intangible assets	**31 March 2021**	**31 December 2020**
Rights	9.569.877	5.667.338
Development costs ".net based HIS"	991.169	1.078.600
Development costs — Java based cloud system	61.435.245	63.005.387
Tales ERP	4.213.614	2.895.272
Total	**76.209.905**	**72.646.597**

(Amounts are expressed in Turkish Lira ("TL" unless otherwise stated)

12. INTANGIBLE ASSETS (Continued)

The Group capitalises cost of the new HIS program running on Java-based cloud architecture. These costs consist of outsourced services and personnel costs in software development, project implementation and system support departments.

The details of the program costs capitalized during the period are as follows:

	31 March 2021	31 December 2020
Personel costs		
- The personnels work on software development, project implementation and system support departments	3.751.102	16.590.471
Outsource costs		
- Services and products rendered from 3rd parties	1.385.000	2.964.500
Total	**5.136.102**	**19.554.971**

Development costs incurred in prior periods are consist of costs related to the HBYS. The development costs associated with the "Net-based HBYS program" that the Group is currently selling. As of 2013, the Group has completed the development on "Net-based Fonet HBYS programme".

13. RIGHT OF USE ASSETS

Cost	31 December 2020	Additions (*)	Disposals (*)	31 March 2021
Buildings				
Right of use assets	1.863.478	212.850	(624.215)	1.452.113
Total	**1.863.478**	**212.850**	**(624.215)**	**1.452.113**
Accumulated amortization (-)				
Buildings				
Right of use assets	(626.232)	(106.567)	193.206	(539.593)
Total	**(626.232)**	**(106.567)**	**193.206**	**(539.593)**
Net book value	**1.237.246**			**912.520**

Cost	31 December 2019	Additions	Disposals	31 December 2020
Buildings				
Right of use assets	1.493.943	369.535	--	1.863.478
Total	**1.493.943**	**369.535**	**--**	**1.863.478**
Accumulated amortization (-)				
Buildings				
Right of use assets	(77.885)	(548.347)	--	(626.232)
Total	**(77.885)**	**(548.347)**	**--**	**(626.232)**
Net book value	**1.416.058**			**1.237.246**

(Amounts are expressed in Turkish Lira ("TL" unless otherwise stated)

13. RIGHT OF USE ASSETS (Continued)

(*) Pidata Bilişim Teknolojileri A.Ş. The workplaces in The Paragon Tower B Block 7th floor have been moved to Hacettepe University Technology Development Zone R&D C Block Floor: 12. According to the new contract made on 01 February 2021, the right of use asset was recalculated, and the newly created right of use asset was shown at the entrance.

Group in the case of tenant

The Group has 4 lease agreement that is subject to operating leases.

The Group has four workplace rentals, Floor 1 at The Paragon Business Center Emlak Kredi Blokları A2 Floor 2 City Office in WTC AB and Hacettepe Teknokent A.Ş. The beginning date of the contracts are 15 August 2017, 15 July 2018, 1 August 2019 and 02 January 2020 respectively and the contract terms are valid for 5 years.

14. GOVERNMENT PROMOTIONS

The Group has investment incentive certificates that are deemed appropriate to be issued by the Official Departments regarding investment expenditures. The rights owned by the Group due to these incentives are as follows:

a) Incentives within the scope of Technology Development Zones Law (100% Corporate Tax Exemption),
b) Incentives within the scope of research and development law (Social Security Institution incentives etc.)

In accordance with the article, Within the scope of the temporary second article of the Law No. 4691 on Technology Development Zones, amended by the 8th article of the Corporate Tax General Communiqué No 6, the earnings obtained by the management companies within this law and the income and corporate taxpayers operating in the region are exempt from income and corporate tax until 31 December 2028, exclusively from the software and R&D activities in this region. The Group's revenues to be obtained as a result of research and development activities are within the scope of exemption from corporate tax.

15. PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Other Current Provisions	**31 March 2021**	**31 December 2020**
Provisions for lawsuits	559.938	429.175
Total	**559.938**	**429.175**

Movements of provision for lawsuits are as follows:

	01.01-31.03.2021	**01.01-31.12.2020**
Opening balance	429.175	584.147
Additional provision amount for the current period (Note 21)	130.763	494.673
Litigation amounts paid (-) (Note 21)	--	--
Closing balance	**559.938**	**1.078.820**

As of the date of this report, summary information about the Group related to litigation and execution are as follows:

	Total	**Amount**
Ongoing lawsuits on behalf of the Group	54	703.290
Ongoing execution proceedings	2	45.724
Ongoing lawsuits against the Group	31	425.174
Ongoing enforcement proceedings	3	134.764

The Group management has provided a provision in the amount of TL 559.938 in the financial statements (31 December 2020: TL 429.175).

(Amounts are expressed in Turkish Lira ("TL" unless otherwise stated)

15. PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (Continued)

Contingent Liabilities

	31 March 2021	31 December 2020
Guarantees given	11.782.818	10.418.725
Total	**11.782.818**	**10.418.725**

Colleterals, pledges and mortgages (CPM's) given by the Group are as follows;

	31 March 2020	31 December 2019
CPM's Given by the Group		
A. CPM's given on behalf of own corporate entities	11.782.818	10.418.725
B. CPM's given on behalf of fully consolidated subsidiaries	--	--
C. CPM's given for continuation of its economic activities on behalf of third parties.	--	--
D. Total amount of other CPM's		
i) Total amount of CPM's given on behalf of the parent company	--	--
ii) Total amount of CPM's given to on behalf of other Group Companies which are not in scope of B and C	--	--
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C	--	--
Total	**11.782.818**	**10.418.725**

(*) The Group does not expect any cash outflow for ongoing lawsuits in line with the opinion it received from its legal counsel.

16. LIABILITIES FROM EMPLOYEE BENEFITS

Liabilities from Employee Benefists	31 March 2021	31 December 2020
Payables due to personnel	2.243.004	1.898.776
Social security withholdings payables	1.057.503	896.537
Total	**3.300.507**	**2.795.313**

Current Provisions for Employee Benefits	31 March 2021	31 December 2020
Provisions for unused vacations	276.435	329.831
Total	**276.435**	**329.831**

Movements in the provisions for unused vacations are as follows:

	31 March 2021	31 December 2020
Beginning of the period	**329.831**	299.181
Provision amount for the current period	--	(139.660)
Provision amount cancelled in the current period (-) (Note 21)	(53.396)	--
End of the period	**276.435**	**159.521**

(Amounts are expressed in Turkish Lira ("TL" unless otherwise stated)

16. LIABILITIES FROM EMPLOYEE BENEFISTS (Continued)

Non Current Provisions for Employee Benefits	31 March 2021	31 December 2020
Provision for employee termination benefits	1.148.213	1.042.688
Total	**1.148.213**	**1.042.688**

Provision for Severance Pay

Under the Labour Law, the Group is required to pay 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. Severence payment provision is calculated as 30 days gross salary for each service year.

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 ("Employee Benefits") stipulates the development of Group's liabilities by using actuarial valuation methods under defined benefit plans. In this direction, actuarial assumptions used in calculation of total liabilities are described as follows:

	31 March 2021	31 December 2020
Net discount rate (%)	4.50%	2.84%

	31 March 2021	31 December 2020
Beginning of the period	**1.042.688**	**902.491**
Service cost	75.984	54.263
Actuarial profit /(loss)	(4.608)	(329.815)
Intrerest expense (Note 21)	34.149	57.534
Payments during the year	--	--
End of the period	**1.148.213**	**684.473**

The main assumption is that the maximum liability amount for each year of service will increase in line with inflation. Therefore. The discount rate applied represents the expected real rate after adjusting for future inflation effects. Therefore, as of 31 March 2021 and 31 December 2020, the provisions in the attached financial statements are calculated by estimating the present value of the probable liability arising from the retirement of future employees.

In calculating the provision for severance pay of the Group, the ceiling amount of TL 7.638,16 valid on 31 March 2021, was taken into account (31 December 2020: TL 7.630,15).

(Amounts are expressed in Turkish Lira ("TL" unless otherwise stated)

17. OTHER ASSETS AND LIABILITIES

Other current assets	**31 March 2021**	**31 December 2020**
VAT carried forward	25.128	41.608
Total	**25.128**	**41.608**

Other current liabilities	**31 March 2021**	**31 December 2020**
Executive and BES deductions	28.357	25.773
Total	**28.357**	**25.773**

16. EQUITY, RESERVES AND OTHER EQUITY COMPONENTS

The Shareholders structure of the Company is as follow

	31 March 2021		**31 December 2020**	
Shareholders	**Share amount**	**Rate%**	**Share amount**	**Rate%**
Abdülkerim GAZEN	19.333.333	48.33	19.333.333	48.33
Other (public)	20.666.667	51.67	20.666.667	51.67
Paid capital	**40.000.000**	**100.00**	**40.000.000**	**100.00**

The Company's issued capital consists of 40.000.000 shares, all with a par value of 1 Turkish Liras each as at 31 March 2021 (31 December 2020: 40.000.000 shares).

Other comprehensive income/loss not to be reclassified to profit or loss	**31 March 2021**	**31 December 2020**
Actuarial gain/loss	(557.771)	(563.392)
	(557.771)	**(563.392)**

Restricted reserves allocated from profit	**31 March 2021**	**31 December 2020**
Legal reserves	3.416.777	2.281.006
	3.416.777	**2.281.006**

(Amounts are expressed in Turkish Lira ("TL" unless otherwise stated)

18. EQUITY, RESERVES AND OTHER EQUITY COMPONENTS (Continued)

Restricted reserves allocated from profit (Continued)

The Turkish Commercial Code ("TCC") stipulates that the general legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Group's paid-in share capital. Other legal reserve is appropriated out of 10% of the distributable income after 5% dividend is paid to shareholders. Under the TCC, general legal reserves can only be used for compensating losses, continuing operations in severe conditions or preventing unemployment and taking actions for relieving its effects in case general legal reserves does not exceed half of paid-in capital or issued capital.

Accumulated profits other than net period profit are shown in previous years' profits / (losses). Extraordinary reserves, which are essentially accumulated profits and thus not restricted, are also considered as accumulated profits and shown in this item

19. REVENUE AND COST OF SALES (-)

Revenue	**01.01.-31.03.2021**	**01.01.-31.03.2020**
Domestic sales	17.034.198	13.647.916
Exports	423.388	237.490
Other	668	--
Total Revenues	**17.458.254**	**13.885.406**
Sales returns and discounts (-)	--	--
Revenue, net	**17.458.254**	**13.885.406**

Cost of sales (-)	**01.01.-31.03.2021**	**01.01.-31.03.2020**
Cost of services sold	9.583.947	7.826.013
Cost of merchandises sold	85.980	**--**
Cost of sales	**9.669.927**	**7.826.013**
Gross profit	**7.788.327**	**6.059.393**

20. GENERAL ADMINISTRATION EXPENSES, RESEARCH EXPENSES (-)

	01.01.-31.03.2021	**01.01.-31.03.2020**
General administrative expenses (-)	1.522.495	1.397.770
Marketing, selling and distribution expenses (-)	116.853	109.613
Research and development expenses (-)	4.749	4.000
Total	**1.644.097**	**1.511.383**

(Amounts are expressed in Turkish Lira ("TL" unless otherwise stated)

20. GENERAL ADMINISTRATION EXPENSES, RESEARCH EXPENSES (-) (Continued)

General Administrative Expenses	01 January – 31 March 2021	01 January - 31 March 2020
Depreciation and amortization expenses	374.027	224.871
Personnel expenses	266.062	489.024
Lease transaction expenses	245.161	--
Consultancy expenses	190.319	216.909
Notary expenses	122.022	173.911
Provision for employee termination benefits expenses (Note 16)	75.984	53.945
Taxes and dues paid	76.491	25.947
Office expenses	59.148	77.370
Communication expenses	22.486	21.079
Insurance expenses	11.020	367
Repair and maintenance expenses	13.266	21.798
Fuel expenses	--	40.312
Other	66.509	52.237
Total	**1.522.495**	**1.397.770**

Marketing, selling and distribution expenses	01 January – 31 March 2021	01 January - 31 March 2020
Taxes and dues paid	45.297	21.802
Personnel expenses	34.924	45.935
Office expenses	27.414	25.897
Vehicle repair and maintenance expenses	5.346	475
Travelling expenses	737	2.669
Representation and hospitality expenses	114	2.355
Congress and symposium expenses	2.555	7.610
Other	466	2.870
Total	**116.853**	**109.613**

Research and development expenses	01 January – 31 March 2021	01 January - 31 March 2020
Training and consultancy expenses	4.749	4.000
Total	**4.749**	**4.000**

(Amounts are expressed in Turkish Lira ("TL" unless otherwise stated)

21. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES (-)

Other income from operating activities	**01.01.-31.03.2021**	**01.01.-31.03.2020**
Incentive revenues	553.963	400.259
Provision for cancelled vacation (Note 16)	53.396	--
Deferred financing income	3.117	--
Provision cancellation for trade receivables (Note 7)	--	4.377
Other	147.216	136.361
Total	**757.692**	**540.997**

Other expenses from operating activities (-)	**01.01.-31.03.2021**	**01.01.-31.03.2020**
Provision expense for doubtful trade receivables (Note 7)	415.869	--
Deferred financing expense	242.025	59.412
Provisions for lawsuits expense (Note 15)	130.763	494.673
Severance pay interest liability (Note 16)	34.149	57,534
Other	4	45
Total	**822.810**	**611.664**

22. INCOME AND EXPENSES FROM INVESTING ACTIVITIES (-)

Income from Investing Activities	**01.01.-31.03.2021**	**01.01.-31.03.2020**
Interest income	300.406	16.936
Property, plant and equipment sales income	29.209	--
Total	**329.615**	**16.936**

23. FINANCIAL INCOME / EXPENSES (-)

Financial Income	**01.01.-31.03.2021**	**01.01.-31.03.2020**
Foreign exchange income	3.825	4.752
Total	**3.825**	**4.752**

(Amounts are expressed in Turkish Lira ("TL" unless otherwise stated)

23. FINANCIAL INCOME / EXPENSES (-) (Continued)

Financial Expenses (-)	01.01.-31.03.2021	01.01.-31.03.2020
Letter of guarantee commission expenses	30.949	59.570
Right of use expenses	62.059	130.368
Loan interest expenses	20.448	14.235
Foreign exchange expenses	12.386	739
Other	--	35.454
Total	**125.842**	**240.366**

24. RELATED PARTIES

For the purpose of these financial statements, shareholders, key executives, board members, their families and companies are regarded as related parties and affiliates.

As of 31 March 2021, there is no receivable from related parties (31 December 2020: None).

Payables to related parties

	31 March 2021		31 December 2020	
Shareholders	**Trade**	**Non-trade**	**Trade**	**Non-trade**
Abdülkerim GAZEN	--	--	--	1.271.169
Total	**--**	**--**	**--**	**1.271.169**

The amount of rights granted to senior managers in the current period is TL 345.000 (31 December 2020: TL 1.208.250)

25. TAXES ON INCOME (Deferred Tax Asset and Liability Included)

Corporate tax assets

	31 March 2021	31 December 2020
Prepaid temporary taxes and funds (-)	54.945	54.945
Tax asset or liability	**54.945**	**54.945**

Corporate tax provision

In Turkey, the corporation tax rate is 22% as of 31 March 2021 (31 December 2020: 22%). The corporate tax rate is applied to the tax base that will result in the deduction of non-deductible expenses in accordance with the tax legislation of the corporation's commercial income, the exemption in the tax laws (such as the exemption of participation profits) and deductions (such as investment discount). No further tax is paid if the profit is not distributed.

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017, "Law Amending Some Tax Laws and Some Other Laws", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

Dividends paid to non-resident corporations which have a place of business in Turkey or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15%. An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

(Amounts are expressed in Turkish Lira ("TL" unless otherwise stated)

25. TAXES ON INCOME (Deferred Tax Asset and Liability Included) (Continued)

Corporate tax provision (Continued)

Advance (prepaid) corporation taxes are payable on quarterly profits at the rate of 22%. Such taxes after deduction of the taxes prepaid quarterly must be declared by the 14th of the second month following any tax period and paid by the 17th. Advance corporation tax may be offset against other debts to the government.

Tax losses that are reported in the Corporation Tax return can be carried forward and deducted from the corporation tax base for a maximum of five consecutive years. However financial losses cannot be offsetted from last year's profits. In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the related financial year. 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.

Tax provision in the income statement	31 March 2021	31 March 2020
Current period corporate tax provision	--	--
Deferred tax provision	171.597	(785.785)
Total	**171.597**	**(785.785)**

Deferred Tax Assets and Liabilities

Group is entering the deferred tax assests and liabilities into account for the temporary timing differences which are generated from the differences between statutory financial statements and financial statements that are prepared according to the Turkish Financial Reporting Standards ("TFRS"). These differences generally arise, because some of the income and expense items' amounts that are subject to taxation are placed in different periods in statutory financial statements and in financial statements prepared according to the TFRS and it is specified below. The tax rate used in the calculation of deferred tax assets and liabilities is 22% for the temporary timing differences (31 December 2020: %22).

	Cumulative temporary differences		Deferred Tax	
Deferred Tax Assets	**31.03.2021**	**31.12.2020**	**31.03.2021**	**31.12.2020**
Deferred financial expense	408.100	179.906	89.782	39.579
Provision for doubtful receivables	666.091	250.222	146.540	55.049
Amortization of intangible assets	3.331.277	3.331.277	732.881	732.881
Provision for unused vacation	276.435	329.831	60.816	72.563
Provision for litigation	559.938	429.175	123.186	94.419
Deferred tax adjustment	--	--	--	--
Written-off assets	18.730	24.963	4.121	5.492
Provision for employee termination benefits	1.148.213	1.042.688	252.607	229.391
Right of use assets	1.509.524	1.943.858	332.095	427.649
Adjustment for borrowings	5.544	8.158	1.220	1.795
Total	**7.923.852**	**7.540.078**	**1.743.248**	**1.658.818**

(Amounts are expressed in Turkish Lira ("TL" unless otherwise stated)

25. TAXES ON INCOME (Deferred Tax Asset and Liability Included) (Continued)

Deferred Tax Assets and Liabilities (Continued)

	Cumulative temporary differences		Deferred Tax	
Deferred Tax Liabilities	**31.03.2021**	**31.12.2020**	**31.03.2021**	**31.12.2020**
Deferred financial expense	(7.182)	(17.896)	(1.580)	(3.937)
Adjustment for time deposits accounts	(33.331)	(12.049)	(7.333)	(2.651)
The difference between the registered value of property, plant and equipment and the tax base	(126.567)	(126.567)	(27.845)	(27.845)
Capitalized costs of programs in progress	(3.476.679)	(3.476.679)	(764.869)	(764.869)
Capitalized development costs	(3.147.594)	(3.147.594)	(692.471)	(692.471)
Right of use assets	(1.452.117)	(1.863.482)	(319.466)	(409.966)
Adjustment for deferred income	(134.500)	(134.504)	(29.586)	(29.591)
Total	**(8.377.970)**	**(8.778.771)**	**(1.843.150)**	**(1.931.330)**
Deferred Tax Assets / (Liabilities), net	**(454.118)**	**(1.238.693)**	**(99.902)**	**(272.512)**

Movements of deferred tax are as follows:

	31 March 2021	31 December 2020
Opening balance of deferred tax assets / (liabilities)	(351.277)	359.218
Deferred tax income / (expense)	171.597	(671.423)
Deferred tax effect of other comprehensive income	(1.013)	(39.072)
Deferred tax asset / (liability) in the current period	**(180.693)**	**(351.277)**

26. EARNINGS PER SHARE

Profit / (loss) for the period from continued operations:	**01.01.-31.03.2021**	**01.01.-31.03.2020**
Net profit of parent company from continued operations	6.458.307	3.472.880
Weighted average number of shares	40.000.000	40.000.000
Earnings / (loss) per share from continued operations (TL)	**0,16**	**0,09**
Earnings / (loss) per share:		
Profit / (loss) for the period	6.458.307	3.472.880
Profit / (loss) of minority shares for the period	--	--
Profit / (loss) of parent company for the period	6.458.307	3.472.880
Weighted average number of shares	40.000.000	40.000.000
Earnings / (loss) per share (TL)	**0,16**	**0,09**

	01.01.-31.03.2021	**01.01.-31.03.2020**
Number of weighted shares at the beginning of the period	40.000.000	40.000.000
Number of shares issued within the period	--	--
Number of shares at the end-of-period	40.000.000	40.000.000

(Amounts are expressed in Turkish Lira ("TL" unless otherwise stated)

27. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The most important risks arising from the financial instruments of the Group are interest rate risk, liquidity risk and credit risk.

Capital Risk Management

The Group monitors its capital adequacy using the debt / equity ratio as in the previous period. This ratio is calculated by dividing net debt to total equity. Net debt is calculated by deducting cash and cash equivalents from the total debt amount (includes loans, trade and other debts shown on the balance sheet).

	01.01.- 31.03.2021	**01.01.- 31.12.2020**
Total Liabilities	14.063.490	13.859.317
Less: Cash and cash equivalents	(9.476.874)	(8.620.349)
Net (Cash)/Liabilities	**4.586.616**	**5.238.968**
Total Equity	115.399.093	94.871.675
Capital	40.000.000	40,000,000
Net (Cash) Liabilities / Total Equity Ratio	**0,04**	**0,06**

The current ratio from liquidity ratios has been realized as follows in terms of periods.

	01.01.- 31.03.2021	**01.01.- 31.12.2020**
Current assets	31.223.982	27.622.292
Current liabilities (-)	9.777.714	9.355.333
Net working capital excess / (deficit)	**21.446.192**	**18.266.959**
Current Ratio	**3,19**	**2.95**

Earnings Before Interest Tax Depreciation and Amortization (EBITDA)	**01.01.- 31.03.2021**	**01.01.- 31.03.2020**
Net income / (loss) for the period	6.458.307	3.472.880
Other income / expenses from main activities.net	65.118	70.667
Income / expenses from investment activities net	(329.615)	(16.936)
Depreciation expenses	1.971.896	1.512.368
Financing (incomes) / expenses net	122.017	235.614
Tax (income) / loss net	(171.597)	785.785
EBITDA	**8.116.126**	**6.060.378**
EBITDA margin	**46,49**	**43,65**

(Amounts are expressed in Turkish Lira (“TL” unless otherwise stated)

27. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Financial Risk Factors

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations. The Group management meets these risks by limiting the average risk for the counterparty in each agreement. The Group’s collection risks mainly arise from its trade receivables. The Group manages this risks by limitation on the extension of the credit to customers. Credit limits are monitored regularly by the Group and the customer’s financial position, taking into account the customer’s credit quality and other factors considered. The Group does not have any derivative financial instruments (31 December 2020: None).

The imposed credit risk by financial instrument type is as follows as 31 March 2021 and 31 December 2020:

Exposed credit risks by types of financial instruments:

	RECEIVABLES					
	Trade Receivables		Other Receivables			
31 March 2021	Related Party	Third Party	Related Party	Third Party	Bank Deposits	Cash and Other
Maximum credit risk exposures as of report date (A+B+C+D+E)	--	**20.033.392**	**--**	**242.736**	**9.473.590**	**3.284**
-Secured part of maximum credit risk exposure via collateral etc	--	--	--	--	--	--
A. Net book value of the financial assets that are neither overdue nor impaired	**--**	20.033.392	--	242.736	9.473.590	3.284
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	--	--	--	--	--	--
C. Net book value of financial assets that are overdue but not impaired	--	--	--	--	--	--
D. Net book value of impaired financial assets	--	--	--	--	--	--
- Overdue (gross carrying amount)	--	666.091	--	--	--	--
- Impairment (-)	--	(666.091)	--	--	--	--
- Net secured part via collateral etc.	--	--	--	--	--	--
E. Off-balance sheet financial assets exposed to credit risk	--	--	--	--	--	--

(Amounts are expressed in Turkish Lira ("TL" unless otherwise stated)

27. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Financial Risk Factors (Continued)

Credit risk (Continued)

Exposed credit risks by types of financial instruments (Continued):

	RECEIVABLES					
	Trade Receivables		Other Receivables			
31 December 2020	Related Party	Third Party	Related Party	Third Party	Bank Deposits	Cash and Other
Maximum credit risk exposures as of report date (A+B+C+D+E)	--	**17.310.370**	**--**	**197.849**	**8.618.382**	**1.967**
-Secured part of maximum credit risk exposure via collateral etc	--	--	--	--	--	--
A. Net book value of the financial assets that are neither overdue nor impaired	**--**	17.310.370	--	197.849	8.618.382	1.967
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	--	--	--	--	--	--
C. Net book value of financial assets that are overdue but not impaired	--	--	--	--	--	--
D. Net book value of impaired financial assets	--	--	--	--	--	--
- Overdue (gross carrying amount)	--	250.222	--	--	--	--
- Impairment (-)	--	(250.222)	--	--	--	--
- Net secured part via collateral etc.	--	--	--	--	--	--
E. Off-balance sheet financial assets exposed to credit risk	--	--	--	--	--	--

(Amounts are expressed in Turkish Lira ("TL" unless otherwise stated)

27. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Financial Risk Factors (Continued)

Liquidity risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The Group management, minimizes its liquidity risk by financing its assets with equity as in the previous period. The Group conducts its liquidity management not according to the expected terms, but it conducts with the terms determined in accordance with the contract. The Group has no derivative financial liabilities.

Maturities accordance with the contract as of 31 March 2021	**Book value**	**Total contractual cash outflow (I+II+III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1 – 5 years (III)**	**More than 5 years (IV)**
Non-derivative financial Liabilities						
Bank loans	1.559.403	1.559.403	1.559.403	--	--	--
Other financial liabilities	201.015	201.015	201.015	--	--	--
Trade payables	1.813.194	1.813.194	--	--	--	--
Leasing payables	969.931	969.931	574.726	187.091	82.054	126.060
		--				
Total	**4.543.543**	**4.543.543**	**2.713.330**	**461.172**	**177.729**	**126.060**
Non-derivative financial Liabilities						
Liabilities from employee benefits	3.300.507	3.300.507	3.300.507	--	--	--
Deferred income	276.435	1.998.240	1.099.032	--	899.208	--
Other payables and liabilities	1.099.032	359.563	359.563	--	--	--
Total	**4.675.974**	**5.658.310**	**4.759.102**	**--**	**899.208**	**--**

Maturities accordance with the contract as of 31 December 2020	**Book value**	**Total contractual cash outflow (I+II+III+IV)**	**Less than 3 months (I)**	**3-12 months (II)**	**1 – 5 years (III)**	**More than 5 years (IV)**
Non-derivative financial Liabilities						
Bank loans	880.790	880.790	880.790	--	--	--
Other financial liabilities	250.448	250.448	250.448	--	--	--
Trade payables	1.001.658	1.001.658	1.001.658	--	--	--
Leasing payables	1.317.626	1.317.626	580.434	461.172	177.729	--
Total	**3.450.522**	**3.450.522**	**2.713.330**	**461.172**	**177.729**	**--**
Non-derivative financial Liabilities						
Liabilities from employee benefits	2.795.313	2.795.313	2.795.313	--	--	--
Deferred income	1.981.935	1.981.935	1.189.161	--	792.774	--
Other payables and liabilities	593.423	593.423	593.423	--	--	--
Total	**5.370.671**	**5.370.671**	**4.577.897**	**--**	**792.774**	**--**

(Amounts are expressed in Turkish Lira ("TL" unless otherwise stated)

27. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

Financial Risk Factors (Continued)

Market Risk

Market risk is the risk of fluctuations in the fair value of a financial instrument or in future cash flows that will adversely affect a business due to changes in market prices. These are foreign currency risk, interest rate risk and financial instruments or commodity price change risk.

Interest Rate Risk

Interest rate risk arises from the possibility of interest rate changes that affect the financial statements. The Group is exposed to interest rate risk because of timing differences of its assets and liabilities which is expired in a current period. There is no risk management pattern and implementation which is defined and in the Group Company. The Group administration manages the interest rate risk by making decision and with its implementations although there isn't any risk management model defined in the Group.

The Group's interest position table is as follows:

Financial instruments with fixed interest	31 March 2021	31 December 2020
Financial liabilities (Note 6)	1.765.962	1.139.396
Nakit ve Nakit Benzerleri (Note 5)	9.476.874	7.573.816

28. EVENTS AFTER THE REPORTING DATE

None.