INDEPENDENT AUDITOR'S REPORT

To the Board of Director of KKB Kredi Kayıt Bürosu Anonim Şirketi

A) Audit of the Financial Statements

Opinion

We have audited the accompanying balance sheet of KKB Kredi Kayıt Bürosu Anonim Şirketi ("the Company") as at 31 December 2021 and the income statement, statements of changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with "Banking Regulation and Supervision Agency ("BRSA") Accounting and Financial Reporting Legislation" which includes "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies" published in the Official Gazette numbered 28861 dated 24 December 2013 and "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies", communiqués, and circulars and, announcements made by BRSA and requirements of Turkish Financial Reporting Standards for the matters not regulated by the aforementioned legislations.

Basis for Opinion

We conducted our audit in accordance with the regulations on auditing principles in force Standards on Auditing which is a component of the Turkish Auditing Standards published by the Public Oversight Accounting and Auditing Standards Authority ("POA") ("Standards on Auditing issued by POA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We declare that we are independent of the Company in accordance with the Code of Ethics for Auditors issued by POA ("POA's Code of Ethics") and the ethical requirements that are relevant to our audit of the financial statements in Turkey and we have fulfilled our other ethical responsibilities in accordance with POA's Code of Ethics and regulations. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Revenue Recognition

Key audit matter	How our audit addressed the key audit matter
The Company has a total of TL 506.465.078 TL income that was recognised under "revenue" in the comprehensive income for the period between 1 January 2021 and 31 December 2021. Disclosures and notes related to the revenue are presented under notes 2.4 and 17 of the accompanying financial statements prepared as of 31 December 2021. We focussed on this area as a key audit matter for the following reasons: the magnitude of revenue in the financial statements; revenue being earned through variable channels; revenue being generated as a result of multiple transactions and calculated by using different unit prices due to the nature of the Company's operations.	Within the scope of the audit procedures we applied related to revenue recognition, we evaluated compliance of accounting policies determined by Company management regarding revenue recognition with BRSA Accounting and Financial Reporting Legislation. In addition to this, we tested operational controls related with reliability of the data on which revenue is recognized and with data-recording medium by involving our information and technology specialists. Furthermore, we evaluated and tested the design and operational effectiveness of the internal controls applied by the management to ensure revenue is recognised in accordance with relevant accounting legislation. We tested the transaction details of a selected sample from revenue transactions subject to the audit by comparing these transaction details to the relevant supporting documentation to verify that the amounts were recognised properly on a transaction basis.

Refer to Note 2.4 and 17 to the financial statements for details of accounting policies and significant accounting estimates and assumptions used in recognised of revenue.

Other Matter

The financial statements of the company for the accounting period on 31 December 2020 was audited by another independent auditor and an unmodified opinion was given on the appropriateness of this annual report on 24 February 2021.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of auditors in an audit are as follows:

INDEPENDENT AUDITOR'S REPORT

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the regulations on auditing principles in force Standards on Auditing issued by POA will always detect a material misstatement when it exists. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with regulations on auditing principles in force Standards on Auditing issued by POA, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 402 of the Turkish Commercial Code ("TCC"); no significant matter has come to our attention that causes us to believe that for the period 1 January - 31 December 2021, the Company's bookkeeping activities and financial statements are not in compliance with TCC and provisions of the Company's articles of association in relation to financial reporting.

2) Pursuant to the fourth paragraph of Article 402 of the TCC; the Board of Directors provided us the necessary explanations and required documents in connection with the audit.

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

Ali Tuğrul Uzun, SMMM
Partner

23 February 2022
Istanbul, Turkey

CONTENTS

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

KKB KREDİ KAYIT BÜROSU A.Ş.

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021

(Amounts expressed Turkish Lira ("TRY"), unless otherwise indicated).

	Notes	Audited Current period 31 December 2021	Audited Prior period 31 December 2020
Current assets		**291,751,984**	**193,594,148**
Cash and cash equivalents	3	193,490,634	126,325,546
Trade receivables		45,992,503	33,090,610
- Trade receivables due from related parties	*4,6*	*42,871,515*	*29,768,593*
- Trade receivables due from other parties	*4*	*3,120,988*	*3,322,017*
Other receivables	4,6	-	-
Inventories	7	5,832,401	2,139,642
Prepaid expenses	14	42,275,078	26,385,673
- Prepaid expenses due from related parties	*6*	*6,892,507*	*5,330,756*
- Prepaid expenses due from other parties		*35,382,571*	*21,054,917*
Other current assets	15	1,540,544	3,639,154
Current income tax assets	22	2,620,824	2,013,523
Non-current assets		**333,958,083**	**299,850,950**
Tangible assets	8	265,454,977	230,392,206
Right of use asset	10	5,180,869	5,856,275
Intangible assets other than goodwill	9	57,340,427	58,902,229
Prepaid expenses	14	5,923,552	4,688,920
- Prepaid expenses due from other parties	*14*	*5,923,552*	*4,688,920*
Other non-current assets	15	58,258	11,320
Total assets		**625,710,067**	**493,445,098**

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

KKB KREDİ KAYIT BÜROSU A.Ş.

STATEMENT OF FINANCIAL POSITION AT 31 DECEMBER 2021

(Amounts expressed Turkish Lira ("TRY"), unless otherwise indicated).

	Notes	Audited Current period 31 December 2021	Audited Prior period 31 December 2020
Short-term liabilities		**228,330,966**	**179,439,596**
Short term borrowings	6,11	-	37,980
Lease liabilities	10	3,115,936	2,476,669
Trade payables		63,434,413	77,327,125
- Trade payables due to related parties	4,6	*8,494,086*	*7,062,814*
- Trade payables due to other parties	4	*54,940,327*	*70,264,311*
Corporate tax liability on period profit		-	-
Other payables		8,008,356	5,036,180
- Other payables due to other parties	5	*8,008,356*	*5,036,180*
Short term provisions	13	50,553,670	32,310,784
- Short term provisions for employee benefits		*40,102,743*	*29,838,870*
- Other short term provisions		*10,450,927*	*2,471,914*
Payables related to employment benefits	13	3,080,815	2,477,695
Deferred income	14	100,137,776	59,773,163
Long-term liabilities		**27,592,025**	**21,049,282**
Lease liabilities	10	2,506,083	3,773,052
Deferred tax liability	22	17,807,008	12,090,816
Long term provisions	13	7,278,934	5,185,414
- Long term provisions for employee benefits		*5,577,417*	*3,514,406*
- Other long term provisions		*1,701,517*	*1,671,008*
Other liabilities		**255,922,991**	**200,488,878**
Shareholders' equity		**369,787,076**	**292,956,220**
Share capital	16	7,425,000	7,425,000
Reserves on retained earnings		14,377,525	14,377,525
Adjustment to share capital	16	2,574,025	2,574,025
Extraordinary reserves	16	204,868,081	146,513,689
Special funds		1,608,259	1,360,319
Accumulated other comprehensive expense that will not be reclassified to profit or loss (-)		599,357	(676,753)
- Remeasurement losses of defined benefit plans (-)		*599,357*	*(676,753)*
Retained earnings		63,028,023	44,966,764
Net profit for the period		75,306,806	76,415,651
Total liabilities		**625,710,067**	**493,445,098**

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

KKB KREDİ KAYIT BÜROSU A.Ş.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

(Amounts expressed Turkish Lira ("TRY"), unless otherwise indicated).

	Notes	**Audited Current period 1 January - 31 December 2021**	**Audited Prior period 1 January - 31 December 2020**
Sales	*17*	506,465,078	447,819,713
Cost of sales (-)	*17*	(169,203,807)	(151,640,414)
Gross profit		**337,261,271**	**296,179,299**
Marketing, selling and distribution expenses (-)	*18*	(67,013,050)	(42,646,806)
General administrative expenses (-)	*18*	(224,511,896)	(166,432,130)
Other incomes from main operations	*20*	5,767,157	3,643,638
Other expenses from main operations (-)	*20*	(648,817)	(178,297)
Research and development expenses (-)		(454,038)	(100,255)
Operating profit		**50,400,627**	**90,465,449**
Income from investing activities	*23*	556,236	31,042
Operating profit before financial income		**50,956,863**	**90,496,491**
Financial income	*21*	114,738,388	17,363,356
Financial expense (-)	*21*	(65,883,453)	(11,876,531)
Profit before tax from continuing operations		**99,811,798**	**95,983,316**
Continuing operations tax income/(expense)			
Current tax expense for the period	*22*	(19,107,827)	(17,080,910)
Deferred tax income/(expense)	*22*	(5,397,165)	(2,486,755)
Net profit for the period		**75,306,806**	**76,415,651**
Other comprehensive income/(expense)			
Other comprehensive income which will be not reclassified in profit or loss			
Defined benefits plans remeasurement gains/(losses)	*13*	1,595,137	(1,363,431)
Deferred tax income/(expense)	*22*	(319,027)	272,686
Other comprehensive income/(expense)		**1,276,110**	**(1,090,745)**
Total comprehensive income		**76,582,916**	**75,324,906**

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

KKB KREDİ KAYIT BÜROSU A.Ş.

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

(Amounts expressed Turkish Lira ("TRY"), unless otherwise indicated).

Audited Statement of Changes in Equity – 31 Aralık 2020

	Share Capital	Adjustment to share capital	Reserves on retained earnings	Extraordinary reserves	Accumulated other comprehensive expense that will not be reclassified to profit or loss (-)	Special funds	Retained earnings	Net profit for the period	Total
1 January 2020	**7,425,000**	**2,574,025**	**14,131,050**	**139,367,193**	**413,992**	**1,360,319**	**32,768,791**	**22,180,469**	**220,220,839**
Transfers from retained earnings	-	-	-	-	-	-	22,180,469	(22,180,469)	-
Transfers	-	-	-	9,982,496	-	-	(9,982,496)	-	-
Dividend paid (-)	-	-	246,475	(2,836,000)	-	-	-	-	(2,589,525)
Total comprehensive income	-	-	-	-	(1,090,745)	-	-	76,415,651	75,324,906
Net profit for the period	-	-	-	-	-	-	-	*76,415,651*	*76,415,651*
Other comprehensive expenses (-)	-	-	-	-	*(1,090,745)*	-	-	-	*(1,090,745)*
31 December 2020	**7,425,000**	**2,574,025**	**14,377,525**	**146,513,689**	**(676,753)**	**1,360,319**	**44,966,764**	**76,415,651**	**292,956,220**

Audited Statement of Changes in Equity – 31 Aralık 2021

	Share Capital	Adjustment to share capital	Reserves on retained earnings	Extraordinary reserves	Accumulated other comprehensive expense that will not be reclassified to profit or loss (-)	Special funds	Retained earnings	Net profit for the period	Total
1 January 2021	**7,425,000**	**2,574,025**	**14,377,525**	**146,513,689**	**(676,753)**	**1,360,319**	**44,966,764**	**76,415,651**	**292,956,220**
Transfers from retained earnings	-	-	-	-	-	-	76,415,651	(76,415,651)	-
Transfers	-	-	-	58,354,392	-	247,940	(58,354,392)	-	247,940
Dividend paid (-)	-	-	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	1,276,110	-	-	75,306,806	76,582,916
Net profit for the period	-	-	-	-	-	-	-	*75,306,806*	*75,306,806*
Other comprehensive expenses (-)	-	-	-	-	*1,276,110*	-	-	-	*1,276,110*
31 December 2021	**7,425,000**	**2,574,025**	**14,377,525**	**204,868,081**	**599,357**	**1,608,259**	**63,028,023**	**75,306,806**	**369,787,076**

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

KKB KREDİ KAYIT BÜROSU A.Ş.

STATEMENT OF CASH FLOWS FOR THE PERIOD 1 JANUARY - 31 DECEMBER 2021

(Amounts expressed Turkish Lira ("TRY"), unless otherwise indicated).

	Notes	Audited Current period 1 January- 31 December 2021	Audited Prior period 1 January- 31 December 2020
A. Cash flows from operating activities		**122,740,523**	**137,048,062**
Net profit for the period		**75,306,806**	**76,415,651**
Adjustments related to period net profit reconciliation:			
Adjustments for tax income/(expense)		(5,397,165)	19,567,665
Adjustment related to provision expenses		34,899,503	24,994,064
Adjustments for depreciation and amortization	19	56,019,996	45,572,529
Adjustments for financial expense	11	-	(501)
Adjustments for interest income and (expense)	21	(19,019,871)	(9,516,373)
Adjustments for profit on sale of tangible and intangible assets (-)	20	(556,236)	414,105
Adjustments for other non-cash items		26,988,593	2,748,590
Adjustments for net foreign currency exchange effect		(18.922.505)	(9,114,323)
Adjustment for increases/decreases in trade receivable	4	(12,901,893)	(837,271)
Adjustment for increases/decreases in trade payables	4	(13,892,712)	43,628,230
Adjustment for increases and decreases in inventories		(3,692,759)	2,371,001
Adjustments for increases/decreases in other liabilities related to activities		65,800,365	(9,367,247)
Adjustments for increases/decreases in other receivables related to activities		(15,679,666)	(16,275,036)
Taxes paid (-)	22	(21,728,651)	(11,585,389)
Other cash outflows/inflows (-/+)		(24,483,282)	(21,967,633)
B. Cash flows from investing activities		**(69,510,162)**	**(76,656,897)**
Investing activities:			
Purchases of tangible assets (-)	8	(46,578,348)	(19,942,831)
Purchases of intangible asset (-)	9	(11,942,522)	(36,047,312)
Sale of tangible assets	8	-	40,299
Other cash inflows/(outflows)		(30,009,163)	(30,470,310)
Interests received		19,019,871	9,763,257
C. Cash flows from financing activities		**(5,229,774)**	**(16,967,320)**
Financial activities:			
Dividends paid (-)		-	(2,589,525)
Payments for finance leases (-)	11	(4,245,471)	(13,295,322)
Interests paid (-)		(984,303)	(1,082,473)
Net increase/(decrease) in cash and cash equivalents (A+B+C)		**48,000,587**	**43,423,845**
Net currency effect		18,922,505	10,117,585
D. Cash and cash equivalents at the beginning of the year	**3**	**125,952,814**	**72,411,384**
Cash and cash equivalents at the end of the year (A+B+C+D)	**3**	**192,875,906**	**125,952,814**

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

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH, SEE IN NOTE 2

KKB KREDİ KAYIT BÜROSU A.Ş.

STATEMENT OF PROFIT DISTRIBUTION
1 JANUARY - 31 DECEMBER 2021

(Amounts expressed Turkish Lira ("TRY"), unless otherwise indicated).

	Note	Audited Current Period 31 December 2021	Audited Current Period 31 December 2020
I. DISTRIBUTION OF THE PERIOD PROFIT			
1.1. PERIOD PROFIT (*)		99,811,798	95,983,316
1.2. TAXES AND DUTIES PAYABLE	22	(19,107,827)	(17,080,910)
1.2.1. Corporate Tax (Income Tax)		-	-
1.2.2. Income Tax Deductions		-	-
1.2.3. Other Taxes and Legal Duties	22	(5,397,165)	(2,486,755)
A. CURRENT PERIOD PROFIT (1.1 – 1.2)		**75,306,806**	**76,415,651**
1.3. ACCUMULATED LOSSES (-)		-	-
1.4. FIRST LEGAL RESERVES (-)		-	-
1.5. OTHER STATUTORY RESERVES (-)		-	-
B. NET PROFIT AVAILABLE FOR DISTRIBUTION [(A - (1.3 + 1.4 + 1.5)]		**75,306,806**	**76,415,651**
1.6. FIRST DIVIDEND TO SHAREHOLDERS (-)		-	-
1.6.1. To owners of ordinary shares		-	-
1.6.2. To owners of privileged shares		-	-
1.6.3. To owners of redeemed shares		-	-
1.6.4. To holders' profit-sharing bonds		-	-
1.6.5. To holders of profit and loss sharing certificates		-	-
1.7. DIVIDENDS TO PERSONNEL (-)		-	-
1.8. DIVIDENDS TO FOUNDERS (-)		-	-
1.9. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
1.10. SECOND DIVIDEND TO SHAREHOLDERS (-)		-	-
1.10.1. To owners of ordinary shares		-	-
1.10.2. To owners of privileged shares		-	-
1.10.3. To owners of redeemed shares		-	-
1.10.4. To holders' profit-sharing bonds		-	-
1.10.5. To holders of profit and loss sharing certificates		-	-
1.11. LEGAL RESERVES (-)		-	-
1.12. STATUTORY RESERVES (-)		-	-
1.13. EXTRAORDINARY RESERVES		-	(76,415,651)
1.14 OTHER RESERVES		-	-
1.15 SPECIAL FUNDS		-	-
II. DISTRIBUTION OF RESERVES		-	-
2.1. APPROPRIATED RESERVES		-	-
2.2. SECOND LEGAL RESERVES (-)		-	-
2.3. DIVIDENDS TO SHAREHOLDERS (-)		-	-
2.3.1. To owners of ordinary shares		-	-
2.3.2. To owners of privileged shares		-	-
2.3.3. To owners of redeemed shares		-	-
2.3.4. To holders of profit-sharing bonds		-	-
2.3.5. To holders of profit and loss sharing certificates		-	-
2.4. DIVIDENDS TO PERSONNEL (-)		-	-
2.5. DIVIDENDS TO BOARD OF DIRECTORS (-)		-	-
III. EARNINGS PER SHARE		-	-
3.1. TO OWNERS OF ORDINARY SHARES		10.1423	10.2917
3.2. TO OWNERS OF ORDINARY SHARES (%)		1,014	1,029
3.3. TO OWNERS OF PRIVILEGED SHARES		-	-
3.4. TO OWNERS OF PRIVILEGED SHARES (%)		-	-
IV. DIVIDEND PER SHARE		-	-
4.1. TO OWNERS OF ORDINARY SHARES		-	-
4.2. TO OWNERS OF ORDINARY SHARES (%)		-	-
4.3. TO OWNERS OF PRIVILEGED SHARES		-	-
4.4. TO OWNERS OF PRIVILEGED SHARES (%)		-	-

(*) Since the profit distribution proposal for 2021 has not been prepared by the Board of Directors yet, the profit distribution table for 2021 has not been filled.

KKB KREDİ KAYIT BÜROSU A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish Lira ("TRY"), unless otherwise indicated.)

1. ORGANISATION AND PRINCIPAL ACTIVITIES OF THE COMPANY

KKB Kredi Kayıt Bürosu A.Ş. (the "Company" or "KKB"), was established in 11 April 1995 with the partnership of 11 banks as the first and only credit bureau in Turkey. As of 31 December 2021, KKB is owned by 9 banks and has 168 members which consist of 50 banks, 16 consumer finance, 54 factoring, 22 financial leasings, 5 insurance, 16 asset management companies, 1 source organization and 3 companies from other sectors. Members have been sharing their credit informations with each other since April 1999 through KKB, As required by Banking Law No: 5411 (Article 73/4), KKB was established by at least five banks to facilitate the exchange of information and documents between financial institutions.

Banking Regulation and Supervision Agency ("BRSA") has approved the adaptation of KKB to Law of Bank Cards and Credit Cards numbered 5464, with the first article of the decision dated 3 July 2008 and numbered 2685.

With Law No, 6111 issued on February 25, 2011, Additional Article 1 and Provisional Article 28 were added to Banking Law No, 5411, Pursuant to Additional Article 1, a Risk Center has been established within the organization of the Banks Association of Turkey (TBB) to collect the risk data of customers of credit institutions and any financial institutions deemed appropriate by the Banking Regulation and Supervision Agency and to share such data with the referenced institutions and with the customers themselves, or with any private legal entities and third real people if consent has been given by the customers, Upon transfer of the Risk Centralization Center within the organization of the Central Bank of Turkey, the Risk Center of the Banks Association of Turkey started up operations on 28 June 2013, KKB conducted all operational and technical activities through its own organization as an agency of the Risk Center of TBB and providing data collection and sharing services to 185 financial institutions which are members of the Risk Center.

KKB offers its services not only to financial institutions, but also to individuals and the real sector through "Cheque Report" and "Risk Report" systems launched in January 2013, In September 2014, KKB gathered its services aimed at individual customers and the real sector under the name of Findeks, the consumer service platform of KKB, In addition to developing new products and services during the year, KKB continued to create added value for the banking-finance industry primarily, as well as the real sector, through partnerships across different industries, Ultimately, through the QR Code Cheque System - launched by KKB in 2015, became mandatory by Law No, 6728 to the Turkish Commercial Code No, 6102, and entered into force as of 1 January 2017.

Electronic Collateral Letter System which arranges collateral letter in an electronical enviroment has been launched by KKB in 2018 has been run by KKB ever since.

The control of the Company is provided by the shareholders according to the allocation of shares presented in the Note 16.

As of 31 December 2021, the Company has 524 employees (31 December 2020: 492).

The Company is registered in Turkey and the registered adress of the Company is as stated below:

Varyap Meridian Sitesi, F Blok, Barbaros Mah, Ardıç Sk., 34746, Ataşehir, İstanbul, Türkiye

1. ORGANISATION AND PRINCIPAL ACTIVITIES OF THE COMPANY (Continued)

Approval of the financial statements

The financial statements for the period ended 31 December 2021 have been approved by the General Assembly on 23 February 2021, General Assembly and authorised bodies of the Company have the right to amend the financial statements within legal framework.

a. The products and services provided to members directly by KKB are presented below:

- Limit Control System (LCS)
- Personal Credit Rating (PCR)
- BDDK Porduct and Servise Fees Portal
- False Information/Document/Declaration/Application Alert System (SABAS)
- Internet Fraud Alert System (IFAS)
- Loan Utilization Instant Sharing Service (KAPS)
- Individual Indebtedness Index
- Cheque Report
- Risk Report
- GeoMIS - Map Based Reporting Service
- Agricultural Loan Assessment System (TARDES)
- Cheque Index
- Cheque Scores
- Real Sector Decision Support Systems (RSDSS)
- Central Decision Support Systems (CDSS)
- Commercial Credit Rating (CCR)
- Prescribed Accounts
- Address Processing Service
- Cheque Status Inquiry
- Farmer Registration System
- Letter of Guarantee Status Inquiry (LGSI)
- Trade Registry Sharing System (TRSS)
- Collection Scores
- Inclination Scores
- Agricultural Loan Score
- Central Invoice Registration System (CIRS)
- IBAN Verification Service
- LCS Customer Objection Assesment System (MIDES)
- National Fraud Attempt Detection and Prevention Service
- Credits Analysis Portal
- FraudNet
- Cheque Analysis Portal
- KKB Unknown Number Service
- Electronic Letter of Guarantee Service
- Turkish ID Number - GSM Verification
- NOVA

1. ORGANISATION AND PRINCIPAL ACTIVITIES OF THE COMPANY (Continued)

- Trade Indebtedness Index (TBE)
- Web Scores
    - Findeks
    - Findeks Credit Rating
    - Risk Report
    - Cheque Report
    - Cheque Index
    - Warning Service
    - Tracer
    - Rating Consultancy
    - Findeks QR Code Cheque System
    - Findeks QR Code Cheque Registration System

b. The products and services provided to members by TBB Risk Center are presented below:

- Credit Limit-Credit Risk-Receivables to be Liquidated Notification and Sharing Service
- Promissory Note Transactions Notification and Sharing Service
- Check Notification and Sharing Service of Bounced Check and Paid After Bounced Transaction
- Individual Cheque Inquiry
- Credit Reference System (CRS)
- Corporate Bureau System (CBS)
- Individual Customer Objection Assessment System (Individual MIDES)
- Corporate Customer Objection Assessment System (Corporate MIDES)
- CRS Information Verification System
- Cheque Report Raw Data Presentation
- Risk Report Raw Data Presentation
- Cross-Cheque Relations Inquiry Service
- Bounced Cheque Alert Service
- Inquiry and Warning Services (re:entities banned from tenders)
- Derivative Transactions Sharing Service
- Notification and Sharing Service of Checks Given an Injunction Decision by the Court/Revoked/Cancelled
- Bankruptcy, Sharing Service of Firms Postponing Bankruptcy and Requesting Concordat
- Sharing Services of the Decisions on the Prohibition of Issuing Checks and Opening Check Accounts, and the Decisions of the Removal of the Decisions on the Prohibition of Issuing Checks and Opening a Check Account
- Customer Information Sharing Service at the Revenue Administration
- Credit Insurance Inquiry and Sharing
- Risk Center Customer Report Service
- Acceptance & Rejection Notifications Related to Loan Applications
- Sharing of Internal Rating Scores
- Credit Rating Agencies (CRAS) and Sharing of Rating Scores
- Data Updating Application
- Data Validation and Sanction Application

1. ORGANISATION AND PRINCIPAL ACTIVITIES OF THE COMPANY (Continued)

- Members Disclosed Statistical Information Service Applications
- Publicly Disclosed Statistical Information Service Applications
- Official Institutions Disclosed Statistical Information Service Applications
- Risk Center Reporting System
- Post Dated Drawing Cheque Information Sharing Service
- Daily Sharing of Check Statistics
- Risk Center Interactive Reporting System
- Sharing of Central Registry System (Mersis) Information at the Ministry of Customs and Trade
- BKM Merchant Turnover Information and POS Cancellation Individual Inquiry
- RC Warning Services
- Individual Inquiry Unit Query
- Force Majeure Inquiry
- Sharing of Information Collected from Telecommunication Companies (Telco)
- Foreign Currency Loan and Income Statement and Sharing Service
- Foreign Currency Credit and Income Customer Objection Evaluation System
- Submission of Risk Center Report via E-Government Gateway
- Commercial TL Risk Notification and Sharing Service
- Sharing of Electronic Investment Incentive Certificate (e-YTB) Information at the Ministry of Industry and Technology of the Republic of Turkey
- Commercial Qualified TL and FX Loan Daily Notification Service
- Sharing of Bankruptcy and Concordat Decisions in the UYAP System of the TR Ministry of Justice
- Declaration System

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Acounting standards

Company prepares its financial statements in accordance with Banking Regulation and Supervision Agency ("BRSA") Accounting and Reporting Legislation which includes "Communiqué on Uniform Chart of Accounts and Prospectus to be implemented by Financial Leasing, Factoring and Financing Companies" published in the Official Gazette numbered 28861 dated 24 December 2013 and "Regulation on Accounting Practices and Financial Statements of Financial Leasing, Factoring and Financing Companies", communiqués, and circulars and, announcements made by BRSA and requirements of Turkish Accounting Standards for the matters not regulated by the aforementioned legislations.

The financial statements are prepared on the historical cost basis.

The preparation of financial statements requires estimates and assumptions that affect the amounts of reported assets and liabilities or declared contingent assets and liabilities as of the balance sheet date and the amounts of income and expenses reported in the related period, These estimates are based on managements' best judgements and information; however, actual results may vary from these estimates.

Financial statements and statutory books of the company are presented in Turkish Lira ("TL") in compliance with Turkish Commercial Code ("TCC") and accounting principles of the tax legislation.

2.1.1 Comparative information

TL 1,608,259, which was classified in the "Retained Earnings/(Loss)" in the financial statements of the Company for the accounting period ended 31 December 2021, was classified in the "Special Funds" account in the comparative financial statements (31 December 2020: TL 1,360,319).

2.2 Basis in preperation

The basic accounting policies adopted in the preperation of the financial statements as of 31 December 2021 are presented below, These policies are applied consistently throughout the whole year, unless otherwise indicated.

2.2.1 Fuctional and reporting currency

The Company's functional and reporting currency is Turkish Lira ("TL").

KKB KREDİ KAYIT BÜROSU A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish Lira ("TRY"), unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Basis in preperation (Continued)

2.2.2 Adjustment of financial statements in periods of high inflation

Financial statements were subject to inflation accounting in accordance with "Turkish Accounting Standards Financial Reporting in Hyperinflationary Economies" ("TAS 29") until 31 December 2004, The BRSA announced a declaration with a decision dated 28 April 2005 that hyperinflationary period is over and inflation accounting has ceased as of 1 January 2005.

POA made a statement on the Application of Financial Reporting in Hyperinflationary Economies within the scope of TFRS on January 20, 2022, and it was stated that there is no need to make any adjustments in the financial statements of 2021 within the scope of TAS 29 Financial Reporting in Hyperinflationary Economies.

2.2.3 Offsetting

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

2.2.4 Comparatives and restatement of prior year financial statements

In order to enable the determination of the financial position and performance trends, the Company's financial statements have been presented comparatively with the prior period, Reclassifications are made on comparative figures to conform to changes in presentation of the financial statements and major differences are explained.

2.2.5 Changes in accounting policies

Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated. There are no changes or detected errors in accounting policies in the current period.

2.2.6 Changes in accounting estimates and errors

If the changes in accounting estimates are related to only one period, they are applied in the current period in which the change is made, and if they are related to future periods, they are applied both prospectively and in the future periods. Significant accounting errors are applied retrospectively and the prior period financial statements are restated. The Company's accounting estimates did not change significantly in the current period.

2.2.7 Going concern

The Company prepared its financial statements on a going concern basis.

2.2.8 Segment reporting

The company, which operates in Turkey and in a single field of activity, has not reported its financial information according to segments.

2.3 Standards and interpretations issued but not yet effective

Standards issued but not yet effective and not early adopted

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

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.

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 as of 31 March 2021 the date of publication of this amendment. In other words, if the financial statements for the accounting periods before the date of publication of the amendment have not yet been issued, it is possible to apply this amendment for the relevant financial statements. 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 IFRS 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.

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

Property, Plant and Equipment—Proceeds before Intended Use (Amendments to IAS 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 company 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 company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

The Company shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. The amendments apply retrospectively, but only to items of Property, Plant and Equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Standards and interpretations issued but not yet effective (Continued)

Standards issued but not yet effective and not early adopted (Continued)

Onerous Contracts—Cost of Fulfilling a Contract (Amendments to IAS 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.

IASB developed amendments to IAS 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 Company shall apply these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated.

IFRS 17 Insurance Contracts

On 18 May 2017, IASB issued IFRS 17 Insurance Contracts. This first truly globally accepted standard for insurance contracts will help investors and others better understand insurers' risk exposure, profitability and financial position. IFRS 17 replaces IFRS 4, which was brought in as an interim Standard in 2004. IFRS 4 has given companies dispensation to carry on accounting for insurance contracts using national accounting standards, resulting in a multitude of different approaches. As a consequence, it is difficult for investors to compare and contrast the financial performance of otherwise similar companies. IFRS 17 solves the comparison problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner, benefiting both investors and insurance companies. Insurance obligations will be accounted for using current values – instead of historical cost. The information will be updated regularly, providing more useful information to users of financial statements. IFRS 17 has an effective date of 1 January 2023 but companies can apply it earlier.

The Company does not expect that application of IFRS 17 will have significant impact on its financial statements.

Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17)

In December 2021, IASB issued Initial Application of IFRS 17 and IFRS 9—Comparative Information (Amendment to IFRS 17). The amendment is a transition option relating to comparative information about financial assets presented on initial application of IFRS 17. The amendment is aimed at helping entities to avoid temporary accounting mismatches between financial assets and insurance contract liabilities, and therefore improve the usefulness of comparative information for users of financial statements. IFRS 17 incorporating the amendment is effective for annual reporting periods beginning on or after 1 January 2023.

The Company does not expect that application of these amendments to IFRS 17 will have significant impact on its financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Standards and interpretations issued but not yet effective (Continued)

Standards issued but not yet effective and not early adopted (Continued)

Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

IFRS 4 has been amended by IASB to reduce the impact of the differing effective dates of the new insurance contracts standard and IFRS 9. These amendments to IFRS 4 provide two optional solutions for insurers to reduce concerns about implementations: i) when applying IFRS 9 by insurers to its financial assets, an insurer will be permitted to reclassify the difference between profit or loss and other comprehensive income and the amounts recognised in profit or loss under IFRS 9 and those that would have been reported under IAS 39; or ii) an optional temporary exemption from applying IFRS 9 for companies whose activities are predominantly connected with insurance before January 1, 2023. These companies will be permitted to continue to apply existing requirements for financial instruments in IAS 39. The Company does not expect that application of these amendments to IFRS 4 will have significant impact on its financial statements.

Classification of Liabilities as Current or Non-current (Amendments to IAS 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. The amendments clarify one of the criteria in IAS 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. The Company shall apply retrospectively these amendments for annual periods beginning on or after 1 January 2022 with earlier application permitted. However, according to the amendment published on 15 July 2020, IASB decided to defer the effective date of IAS 1 until 1 January 2023. The Company does not expect that application of these amendments to IAS 1 will have significant impact on its financial statements.

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Standards and interpretations issued but not yet effective (Continued)

Standards issued but not yet effective and not early adopted (Continued)

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.

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 company applies the amendments.

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

Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction – Amendments to IAS 12 Income Taxes

In May 2021 IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, which amended IAS 12 Income Taxes.

The amendments to IAS 12 Income Taxes clarify how companies should account for deferred tax on certain transactions – e.g. leases and decommissioning provisions.

The amendments narrow the scope of the initial recognition exemption so that it does not apply to transactions that give rise to equal and offsetting temporary differences. As a result, companies will need to recognise a deferred tax asset and a deferred tax liability for temporary differences arising on initial recognition of a lease and a decommissioning provision.

The amendments clarify that the exemption does not apply to transactions such as leases and decommissioning obligations. These transactions give rise to equal and offsetting temporary differences.

For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. If a company previously accounted for deferred tax on leases and decommissioning liabilities under the net approach, then the impact on transition is likely to be limited to the separate presentation of the deferred tax asset and the deferred tax liability.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. Earlier application is permitted.

The Company does not expect that application of these amendments to Amendments to IAS 12 will have significant impact on its financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Standards and interpretations issued but not yet effective (Continued)

Standards issued but not yet effective and not early adopted (Continued)

Annual Improvements to IFRS Standards 2018–2020

Improvements to IFRSs

IASB issued Annual Improvements to IFRSs - 2018–2020 Cycle for applicable standards in May 2020. The amendments are effective as of 1 January 2022. Earlier application is permitted. The Company does not expect that application of these improvements to IFRSs will have significant impact on its financial statements.

IFRS 1 First-time Adoption of International Financial Reporting Standards

This amendment simplifies the application of IFRS 1 for a subsidiary that becomes a first-time adopter of IFRS Standards later than its parent – i.e. if a subsidiary adopts IFRS Standards later than its parent and applies IFRS 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 IFRS Standards. This amendment will ease transition to IFRS Standards for subsidiaries applying this optional exemption by i)reducing undue costs; and ii) avoiding the need to maintain parallel sets of accounting records.

IFRS 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.

IFRS 16 Leases, Illustrative Example 13

The amendment removes the illustration of payments from the lessor relating to leasehold improvements. As currently drafted, this example is not clear as to why such payments are not a lease incentive. It will help to remove the potential for confusion in identifying lease incentives in a common real estate fact pattern.

IAS 41 Agriculture

This amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in IAS 41 with those in IFRS 13 Fair Value Measurement. The amendments provide the flexibility to use either, as appropriate, in line with IFRS 13.

Amendments are effective on 1 January 2021

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

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies

The principal accounting policies applied in the preparation of these financial statements are summarized below:

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, deposits at banks and highly liquid and insignificant risk of change in the value of the investments with maturity periods of less than three months.

Financial instruments

Classification and measurement of financial instruments

The Company recognizes a financial asset in the financial statement when, and only when, the Company becomes a party to the contractual provisions of the instrument. When the Company first recognizes a financial asset, the business model and the characteristics of contractual cash flows of the financial asset are considered by management. Based on assessments, the Company has classified its financial assets as the business model that aims to keep the contractual cash flows and has determined that the contractual terms of the financial assets contain solely payments of principal and interest on the principal amounts outstanding.

Assessment of whether contractual cash flows are solely payments of principal and interest (SPPI)

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs.

In assessing whether the contractual cash flows are SPPI, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

The Company meets the balance sheet classificaiton and measurement requirements by applying the above procedures. The Company measures and classfies all of its financial asset by "Financial assets measured at Amortised cost".

At initial recognition, the Company classifies its financial assets in the following categories: "Financial Assets at Fair Value Through Profit or Loss"; "Financial Assets Measured at Fair Value Through Other Comprehensive Income" or "Financial Assets Measured at Amortised Cost", Measurement and classification of financial lliabilites do not materially change from the requirements of TAS 39.

The Company classifies and measures its financial assets as "Financial Assets Measured at Amortised Cost", The financial assets are recognized or derecognized in accordance with the "Recognition and Derecognition" principles defined in the section below related to the classification and measurement of financial instruments of "TFRS 9 Financial Instruments". At initial recognition, financial assets are measured at fair value. In the case if financial assets are not measured at fair value through profit or loss, transaction costs are added or deducted to/from their fair value.

The Company recognizes a financial asset in the financial statements when, and only when, the Company becomes a party to the contractual provisions of the instrument. When the Company first recognizes a financial asset, the business model and the characteristics of contractual cash flows of the financial asset are considered by management.

Financial assets measured at amortized cost

A financial asset is classified as a financial asset measured at amortized cost when it is held within a business model to collect contractual cash flows and the terms give rise to cash flows that are solely payments of principal or interest. Financial assets measured at amortized cost are initially recognized at acquisition cost including the transaction costs, if any, which reflect the fair value of those instruments and subsequently recognized at amortized cost by using effective interest rate method, Interest income obtained from financial assets measured at amortized cost is accounted in income statement, The Company has measured cash and cash equivalents and trade receivables in the financial statements at amortized cost as of 31 December 2021.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Financial instruments (Continued)

Impairment of financial assets

As of 1 January 2018, a loss allowance for expected credit losses is provided for all financial assets measured at amortised cost in accordance with TFRS 9 principles, Impairment method is based on the gradual increase in credit risk observed since their initial recognition. Measurement of the expected credit losses includes the following decisions that shall be taken by the Company:

- Definition of criterias regarding to the increase in credit risk.
- Determination of appropriate model and assumptions on measuring expected credit losses.
- Reasonable and supportable information on past events, current conditions and forecasts of future economic conditions at the reporting date.
- Definition of similar financial asset groups for calculation of expected credit loss.

The Company has recognized expected credit loss provision of TL 98,041 in its financial statements prepared as at 31 December 2021 (31 December 2020: TL 79,896).

Effective interest method

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

Leases Standard

The company - as a lessee

At inception of a contract, the Company assess 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 Company considers the following matters when assessing whether the agreement transfers the right to control the use of an identified asset for a limited period of time:

The contract includes an identified asset; contract includes a definition of a specified asset explicitly or implicitly).

a) 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).

b) The company has the right to obtain substantially all of the economic benefits from use of the identified asset.

c) The company has the right to direct the use of an identified asset. The Company considers that the asset has the right to use if decisions about how and for what purpose the asset is used are predetermined. The company has the right to manage the use of the asset in the following cases:

i. The company 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. 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.

At the commencement date, the Company recognize a right-of-use asset and a lease liability in financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Basis in preperation (Continued)

Leases Standard (Continued)

Right-of-use asset

The right of use asset is initially recognized at cost comprising of:

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 Company, and

The Company re-measure the right of use asset:

a) After netting-off depreciation and reducing impairment losses from right of use asset.

b) Adjusted for certain re-measurements of the lease liability recognized at the present value.

The Company apply the depreciation requirements in TAS 16 Property, Plant and Equipment in depreciating the right-of-use asset, subject to the requirements. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the Company depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, The Company depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term.

The company 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.

Lease liability

At the commencement date, The Company measure the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company use the lessee's incremental borrowing rate.

At the commencement date, 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) The exercise price of purchase option if the Group is reasonably certain to exercise that option; and

d) Payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

After initial recognition, the lease liability is measured:

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 or to reflect revised in-substance fixed lease payments.

Interest on the lease liability in each period during the lease term is the amount that produces a constant periodic rate of interest on the remaining balance of the lease liability. The Company determine the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined. After the commencement date, The Company remeasure the lease liability to reflect changes to the lease payments. The Company recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset.

The Company shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate, if either:

a) There is a change in the lease term. The Group determine the revised lease payments on the basis of the revised lease term; or

b) There is a change in the assessment of an option to purchase the underlying asset. The Group determine the revised lease payments to reflect the change in amounts payable under the purchase option.

The Company determine the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Basis in preperation (Continued)

Leases Standard (Continued)

The Company remeasure the lease liability by discounting the revised lease payments, if either:

a) There is a change in the amounts expected to be payable under a residual value guarantee. The Company determine the revised lease payments to reflect the change in amounts expected to be payable under the residual value guarantee.

b) there is a change in future lease payments resulting from a change in an index or a rate used to determine those payments. The Company remeasure the lease liability to reflect those revised lease payments only when there is a change in the cash flows.

The Group determine the revised lease payments for the remainder of the lease term based on the revised contractual payments. In that case, the Group use an unchanged discount rate.

The Group recognises the restructuring of the lease as a separate leasing if both of the following are met:

a) The restructuring extends the scope of the leasing by including the right of use of one or more underlying assets, and

b) The lease payment amount increases as much as the appropriate adjustments to the price mentioned individually so that the increase in scope reflects the individual price and the terms of the relevant agreement.

The Company - as a Lessor

All the leases that Company 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. The Company distributes an amount that takes place in an agreement which includes an item that has or has not one or more extra leasing qualities along with a leasing item through applying the TFRS 15 "Revenue arising from agreements made with customers" standard.

Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories consists of all purchase costs and other costs necessary to make a sale. Unit cost of inventories is determined using weighted average method, Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale (Note 7).

Provision for impairment of inventories

Inventories are evaluated whether provision for impairment is required or not by investigating the purchase date and physical conditions of the asset and by assessment of usability perfomed by technical personnel, Since the inventories of the Company are being sold to members shortly before obtaining the asset, the Company hasn't booked any provision for impairment of inventories.

Short and long term liabilities

Financial liabilities including borrowings are recognized initially at fair value, net of transaction costs incurred. Subsequently, financial liabilities are measured at amortized cost.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Tangible assets

Tangible assets are measured at its cost when initially recognized and any directly attributable costs of setting the asset in working order for its intended use are included in the initial measurement. Subsequently, tangible assets are carried at cost less accumulated depreciation and provision for value decrease.

All tangible assets are carried at cost, restated equivalent to purchasing power of TL at 31 December 2005 less accumulated depreciation. Depreciation is calculated over the restated amounts of tangible assets by using the straight-line method to write down the restated cost of each asset to their residual values over their estimated useful life. Depreciation is calculated over the cost of tangible assets using the straight-line method over estimated useful lives. Gains and losses on disposals of property, plant and equipment are determined by comparing the carrying amount and the selling price. The residual value and usefull lives of the assets are evaluated at each balance sheet date and adjusted when necessary.

Costs associated with developing or maintaining tangible assets are recognized as an expense as incurred. Expenditure which enhances or extends the performance of tangible assets beyond their original specifications is recognized as a capital improvement and added to the original cost of the software. These costs consist of expenses that extend the useful lives and enhances service capacity of the assets, increase the quality and decrease the cost of using the equipments. The estimated useful lives are stated below:

	Useful life
Buildings	10-50 years
Machinery, plant and equipment	3-15 years
Furniture and fixtures	2-15 years
Right of use asset	2-20 years

Intangible Assets

Acquired intangible assets

Acquired intangible assets with unique useful lives, are carried at historical costs after the deduction of accumulated amortization. These assests are amortized using the straight-line method over their useful lives. Expected useful lives and amortization method are evaulted every year and the changes are applied prospectively. Acquired intangible assets with infinite useful lives are measured at acquisition costs after the deduction of impairments.

Other intangible assets

Other intangible assets of the Company consist of licenses, trademarks and patents. Other intangible assets are carried at historical cost. Other intangible assets have unique useful lives and are carried at historical costs after the deduction of accumulated amortization. Other intangible assets are amortized using the straight-line method over their useful lives.

Softwares

Softwares are recorded at cost of acquisition and are amortized on a straight-line basis over their estimated useful lives, which are 3-15 years from the date of acquisition.

Costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. Expenditure which enhances or extends the performance of computer software programmes beyond their original specifications is recognized as a capital improvement and added to the original cost of the software. Costs contain general administrative expenses and the personnel expense for the personnel who improved the softwares.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Intangible Assets (Continued)

Internally-generated intangible assets - research and development expenditures

Expenditures on research activities are recognized in profit and loss in the period they are incurred.

An internally-generated intangible asset arising from development is recognized if, and only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

The estimated useful lives are stated below:

	Useful life
Softwares	3-15 years
Rigths	3-5 years
Other intangible assets	3-15 years

Impairment of tangible assets and intangible assets other than goodwills

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

When an asset' (or cash generating unit's) recoverable amount is lower than their carrying value asset's (or cash generating unit's) carrying value is decreased to their recoverable amount. If the related asset is not measured at revalued amount impairment loss is directly recognized in profit/loss. In such cases, the impairment loss is treated as revaluation loss.

When there is any indication that an impairment loss recognised in prior periods for an asset other than goodwill may no longer exist or may have decreased at each reporting period and, if such a conditions exists, the Company reverses the impairment loss recognized in prior periods for an individual asset. Unless the related asset is accounted and measured under a different standard, reversal of the impairment is accounted under statement of comprehensive income.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Employment termination benefits

Provision for employee termination benefts

TAS 19 "Turkish Accounting Standard for Employee Benefits" requires companies to use their actuarial valuation methods to calculate the present value of the potential liabilities. Therefore, the present value of the Company's possible liability is calculated using the assumptions in the following table.

The provision for employment termination benefits is calculated as required by Turkish Labor Law as a statutory obligation of the Company and reflects the present value of severance pay entitlement to employee retirement, dismissal, call for military service or death in case of completion of at least one year of service, TAS 19 "Turkish Accounting Standard for Employee Benefits" requires companies to use their actuarial valuation methods to calculate the present value of the potential liabilities. Therefore, the present value of the Company's possible liability is calculated using the assumptions.

Provision for unused vacation

According to the Labor Law applicable in Turkey, the Company is obliged to pay the annual leave periods which the employment contract are not entitled for any reason, to the employer or their beneficiaries at the date the contract ends.

Bonus payments

The Company records the accrual as an obligation and expense based on a method that takes into consideration the Company's profitability, budget realization and performance criteria. The Company also reserves provisions in cases where it is a contractual obligation.

Provisions, contingent assets and liabilities

In accordance with the TAS 37 "Provisions, Contingent Liabilities and Contingent Assets", a provision is recognised when the Company has a legal or constructive obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. If the specified criteria are not met, the Company discloses the related issues in the accompanying notes. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability if the time value of the money is significant to the provision In determining the discount rate to be used in reducing the provisions to their present value, the interest rate on the relevant market and the risk related to the related obligation are taken into consideration. Contingent assets are disclosed in the notes and not recognised unless they are realized.

Revenue recognition

In accordance with TFRS 15, "Revenue Standard from Customer Agreements"; which is effective as of 1 January 2018, the Company accounts in the financial statements of the revenue consignment in accordance with the following five-tiered model.

- Identification of customer contracts,
- Identification of performance obligations,
- Determination of transaction price in the contract,
- Allocation of price to performance obligations,
- Recognition of revenue,

The Company assesses the goods or services undertaken by each contract made with the customers and sets each commitment to transfer such goods or services as a separate performance obligation.

For each performance obligation, at the beginning of the contract, the obligation to fulfill the obligation is to be delivered in time or at a certain time. When the control of a good or service is over time and the Company fulfills its performance obligations related to sales in a timely manner, the Group takes the financial statements in the console at the expiration time by measuring the progress towards fulfillment of the fulfillment obligations.

When the Company fulfills the obligation to perform the obligation by transferring a promised good or service to the customer, it records the transaction value corresponding to the obligation as revenue in the consolidated financial statements. When the control of the goods or services is overtaken by the customers (or as they pass) the goods or services are transferred.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

When the Company evaluates the transfer of the customer for the control of the goods or services sold,

a) Group owns the right to collect the goods or services,

b) Owns legal ownership of the goods or services,

c) The transfer of the possession of the goods or services,

d) Ownership of the significant risks and rewards of ownership of the property of the customer,

e) Takes into consideration the conditions under which the customer accepts goods or services,

The Company does not make any adjustments to the effect of a significant financing component at the commitment price if the contract at the outset suggests that the period between the transfer date of the goods or services undertaken by the customer and the date the customer pays the price of the goods or services is one year or less. If the other party has significant financing within the revenue, the revenue value is determined by discounting future collections with the interest rate included in the financing element. The difference is recorded in the related periods as Other income from the main operations on the accrual basis.

Foreign currency transactions

Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date Foreign currency translation rates used by the Company as of respective year-ends are 13.3290 TL=1 US Dollars and 15.0867 TL=1 Euro (31 December 2020: 7.3405 TL=1 US Dollars and 9.0079 TL=1 Euro).

Earnings per share

In accordance with the Turkish Accounting Standards 33 - Earning per share ("TAS 33"), the companies, whose common stocks are not quoted on the stock exchange, do not have to disclose earning per share information. Since the parent Company's common stocks are not quoted on the stock exchange, earnings per share information is not calculated in the accompanying financial statements.

Deferred Revenue

Deferred revenues are liabilities that consist of advances from other parties that are obtained in the relevant period in terms of sale agreements or booked as receivables and related with future periods.

Government incentives and grants

Within the scope of the Law No.5746 on the support of Research and Development activities, it was decided by the Ministry of Industry and Technology for the Company to benefit from the incentives and exemptions provided under the Law No.5746 as of the same date, with the application of the Company approved on 7 January 2020.

Government incentives that allow the payment of reduced corporate tax within the scope of R&D incentives are evaluated within the scope of TAS 12, "Income Taxes" standard.

As of 31 December 2021, R&D expenses amounting to TL 10,608,571 have been used as a deduction item in the tax calculation (31 December 2020: TL 3,040,991).

Taxes calculated on the basis of corporate income

Income tax expense consists of corporate tax and deferred tax expenses.

Corporate/Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the balance sheet date.

Deferred tax

Deferred income tax is provided, using the liability method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred income tax liabilities are recognized for all taxable temporary differences. The rates enacted, or substantively enacted, at the balance sheet date are used to determine deferred income tax.

Under TAS 12, which deals with income taxes, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deferred tax asset can be utilized and deferred tax assets should be reduced to the extent that it is no longer probable that the related tax benefit will be realized. The deferred tax asset and deferred tax liability have been netted off in these financial statements.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.4 Summary of Significant Accounting Policies (Continued)

Deferred tax (Continued)

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities, and deferred taxes relate to the same taxable entity and the same taxation authority.

Corporate and deferred taxes for the period

Income tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or directly in equity and not in the statement of profit or loss.

Cash flow statement

The Company prepares cash flow statements to inform users of the ability to direct the amount and timing of changes in net assets, financial structure and cash flows according to changing conditions.

In the cash flow table, the cash flows related to the turnover are reported by being classified as operating, investing and financing activities. Cash flows arising from operating activities represent cash flows arising from the transactions entered into the operating area of the Company. Cash flows from investing activities represent for the Company used and obtained from investment activities (fixed investments and financial investments). Cash flows from financing activities represent the resources the Company uses in its financing activities and the repayments of these resources.

Related parties

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

A related party is a person or entity that is related to the entity that is preparing its financial statements

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

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

(b) An entity is related to a reporting entity if any of the following conditions applies:

- (i) 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).
- (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
- (iii) Both entities are joint ventures of the same third party.
- (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
- (v) The entity is a post-employment 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.
- (vi) The entity is controlled or jointly controlled by a person identified in (a).
- (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

(Amounts expressed in Turkish Lira ("TRY"), unless otherwise indicated.)

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.5 Significant accounting judgements, estimates and assumptions

The Company has prepared its financial on going concern principal.

Preparation of the financial statements requires estimates and judgments about the reported amount of assets and liabilities or contingent assets and liabilities and reported amount of income and expenses of the related period. Such estimates and judgments are based on the Company's best estimates regarding current events and transactions, however, the actual results may differ from these estimates.

The significant estimates and assumptions the Company uses in preparing its financial statements are explained below:

Useful lives of tangible assets and intangible assets: The useful life of assets and additional costs are determined by the Company Management at initial recognition date and re-evaluated tregularly. The Company determines useful lives of the assets by evaluating estimated benefits of the related assets. This evaluation is based on the Company' experiences on relevant assets.

Recognition of deferred tax asset: Deferred tax assets can only be booked if the relevant tax benefit is probable. The amount of the probable future tax advantages and taxable income are based on the Company's medium-term projections and expectations based on these projections.

3. CASH AND CASH EQUIVALENTS

The details of the Company's cash and cash equivalents as of 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Banks		
Time deposit	*185,701,230*	*120,699,562*
Demand deposit	*3,115,737*	*2,394,132*
Credit card receivables with term of less than three months (*)	4,768,824	3,291,546
Provision for expected credit loss	(95,157)	(59,694)
Cash and cash equivalents	**193,490,634**	**126,325,546**

(*) The average maturity of the Company's credit card receivables amounting to TL 4,768,824 (December 31, 2020: TL 3,291,546) as of December 31, 2021 is 30 days (December 31, 2020: 45 days). As of 31 December 2021, the interest rates of the Company's time deposits in TL are between 10% and 17.80%, between 0.65% and 1% in USD and 0.40% in EURO. (December 31, 2020: in TL are between 6.5% ile 19%, in USD are between 2% ile 3.75% and 0.75% in Euro). As of 31 December 2021 and 2020, all time deposits have a maturity of less than three months.

As of 31 December 2021 and 31 December 2020, there is no restriction on cash and cash equivalents.

In the cash flow statements of the Company as of 31 December 2021 and 31 December 2020, cash and cash equivalents are shown by deducting interest accruals from cash and cash equivalents:

	31 December 2021	31 December 2020
Cash and cash equivalents	193,585,791	126,385,240
Interest accrual (-)	(709,885)	(432,426)
Cash and cash equivalents in the cash flow statement	**192,875,906**	**125,952,814**

4. TRADE RECEIVABLES AND PAYABLES

As of 31 December 2020 and 2019, the details of trade receivables are as follows:

	31 December 2021	31 December 2020
Trade receivables		
Trade receivables from related parties (Note 6)	42,874,399	29,772,580
Trade receivables from other parties	3,120,988	3,338,232
Provision for expected credit loss (-)	(2,884)	(20,202)
- Regarding trade receivables from related parties (Note 6)	*(2,884)*	*(3,987)*
- Regarding trade receivables from other parties	-	*(16,215)*
Total	**45,992,503**	**33,090,610**

The average maturity of trade receivables is 10 days (31 December 2020: 10 days). As of 31 December 2021, there is no neither past due nor impaired receivable (31 December 2020: no neither past due not impaired receivable).

(Amounts expressed in Turkish Lira ("TRY"), unless otherwise indicated.)

4. TRADE RECEIVABLES AND PAYABLES (Continued)

As of 31 December 2020 and 2019, the details of trade payables are as follows;

	31 December 2021	31 December 2020
Trade payables (*)		
Trade payables to related parties (Note 6)	8,494,086	7,062,814
Trade payables to other parties	54,940,327	70,264,311
Toplam	**63,434,413**	**77,327,125**

(*) The average maturity for trade payables is between 30 and 60 days (31 December 2020: between 30 and 60 days). As of 31 December 2021 and 2020, a significant portion of the trade payables consist of the purchases and maintenance of tangible and intangible assets and their liabilities related to outsourced services.

5. OTHER RECEIVABLES AND PAYABLES

As of 31 December 2021 and 2020, the details of other receivables are as follows:

	31 December 2021	31 December 2020
Other payables due to other parties	8,008,356	5,036,180
- Tax payables	*7,965,175*	*4,954,866*
- Other payables	*43,181*	*81,314*
Diğer borçlar	**8,008,356**	**5,036,180**

6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

As of 31 December 2021 and 2020, the details of cash and cash equivalents with related parties are as follows :

	31 December 2021	31 December 2020
Cash and cash equivalents from related parties		
T. Halk Bankası A.Ş.	63,593,660	74,124,932
Denizbank A.Ş.	41,819,539	27,280,943
Yapı ve Kredi Bankası A.Ş.	20,569,797	1,260,119
T.Vakıflar Bankası T.A.O.	20,007,166	1,363
T. Garanti Bankası A.Ş.	2,627,375	1,018,733
Vakıf Katılım Bankası A.Ş.	943,409	438,666
T. İş Bankası A.Ş.	669,082	341,615
Akbank T.A.Ş.	666,185	479,048
T.C. Ziraat Bankası A.Ş.	276,767	63,503
Şekerbank T.A.Ş.	294	10,001,206
Expected credit loss (-)	(95,157)	(9,621)
Total	**151,078,117**	**115,000,507**

As of 31 December 2021 and 2020, the details of the Company's prepaid expense to related parties are as follows:

	31 December 2021	31 December 2020
Prepaid expenses to related parties		
Anadolu Anonim Türk Sigorta A.Ş.	3,072,766	2,714,280
Aksigorta A.Ş.	2,133,502	1,491,173
Koçsistem Bilgi ve İletişim Hizm. A.Ş.	1,686,214	1,068,544
T. Halk Bankası A.Ş.	25	153
Anadolu Hayat Emeklilik A.Ş.	-	56,606
Total	**6,892,507**	**5,330,756**

(Amounts expressed in Turkish Lira ("TRY"), unless otherwise indicated.)

6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

As of 31 December 2021 and 2020, the details of receivables from related parties from related parties are as follows:

	31 December 2021	31 December 2020
Receivables from related parties		
Türkiye Bankalar Birliği Risk Merkezi İkt. İşl.	25,873,783	19,102,356
Akbank T.A.Ş.	2,728,926	1,812,165
T. İş Bankası A.Ş.	2,564,989	1,702,146
T. Garanti Bankası A.Ş.	2,289,851	1,663,876
T.C. Ziraat Bankası A.Ş.	1,697,219	1,472,811
Yapı ve Kredi Bankası A.Ş.	1,634,680	1,027,110
T. Vakıflar Bankası T.A.O.	1,589,981	1,037,210
Denizbank A.Ş.	992,273	863,620
T. Halk Bankası A.Ş.	764,356	310,651
Şekerbank T.A.Ş.	119,647	158,880
Receivables from other related parties	2,618,694	621,755
Expected credit loss (-)	(2,884)	(3,987)
Total	**42,871,515**	**29,768,593**

For the periods ended at 31 December 2021 and 2020, the details of the Company's short and long term liabilities to related parties are as follows:

	31 December 2021	31 December 2020
Short and long term liabilities to related parties		
İş Finansal Kiralama A.Ş.	-	37,881
Yapı Kredi Finansal Kiralama A.O.	-	99
Toplam	**-**	**37,980**

Total salaries and benefits of top management

The Company's shareholders, senior executives and directors, members of the board of directors and their respective companies and their families are deemed to be related parties, For the period ended 31 December 2021, the total amount of benefits provided to top management is TL 16,198,773 (31 December 2020: TL 17,592,914).

KKB KREDİ KAYIT BÜROSU A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish Lira ("TRY"), unless otherwise indicated.)

6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

For the periods ended at 31 December 2021 and 2020, the details of the Company's trade payables to related parties are as follows:

	31 December 2021	31 December 2020
Trade payables to related parties		
Aksigorta A.Ş.	2,254,687	1,484,568
T. İş Bankası A.Ş.	2,056,177	1,800,492
Koçsistem Bilgi Ve İletişim Hizm. A.Ş.	1,618,511	764,682
Vakıf Katılım Bankası A.Ş.	1,342,701	1,956,386
Anadolu Anonim Türk Sigorta Şirketi	780,422	708,914
Türkiye Bankalar Birliği Risk Merkezi İkt. İşl.	271,573	189,513
Denizbank A.Ş.	139,543	-
Yapı ve Kredi Bankası A.Ş.	22,373	-
Otokoç Otomotiv Tic. Ve San. A.Ş.	6,262	3,173
VDF Filo Kiralama A.Ş.	1,837	70,901
Anadolu Hayat Emeklilik A.Ş.	-	22,702
Akbank A.Ş.	-	48,576
T. Halk Bankası A.Ş.	-	11,443
T. Garanti Bankası A.Ş.	-	1,464
Total	**8,494,086**	**7,062,814**

For the periods ended at 31 December 2021 and 2020, the details of the Company's expenses to related parties are as follows:

	31 December 2021	31 December 2020
Expenses to related parties		
T.C. Ziraat Bankası A.Ş.	23,067,236	19,556,506
T. İş Bankası A.Ş.	7,566,029	4,372,146
Koçsistem Bilgi ve İletişim Hizm. A.Ş.	5,922,748	5,169,973
Anadolu Anonim Türk Sigorta Şirketi	4,645,086	4,079,039
Vakıf Katılım Bankası A.Ş.	3,937,563	5,711,817
T. Halk Bankası A.Ş.	3,292,139	1,127,775
VDF Filo Kiralama A.Ş.	2,332,298	1,146,200
Aksigorta A.Ş.	2,282,252	1,618,121
Türkiye Bankalar Birliği Risk Merkezi İkt. İşl.	1,929,863	2,189,163
Denizbank A.Ş.	868,560	665,076
Yapı ve Kredi Bankası A.Ş.	506,702	45,682
T. Vakıflar Bankası T.A.O.	465,767	211,350
Otokoç Otomotiv Tic. Ve San. A.Ş.	217,465	132,449
Şekerbank T.A.Ş.	170,150	22,258
İş Finansal Kiralama A.Ş.	102,471	7,891,056
Akbank T.A.Ş.	28,358	85,582
T. Garanti Bankası A.Ş.	14,211	9,333
Anadolu Hayat Emeklilik A.Ş.	136	85,816
Yapı Kredi Finansal Kiralama A.O.	99	476,123
VDF Faktoring A.Ş.	-	47
Total	**57,349,133**	**54,595,512**

KKB KREDİ KAYIT BÜROSU A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish Lira ("TRY"), unless otherwise indicated.)

6. BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

For the periods ended at 31 December 2021 and 2020, the details of the Company's revenues to related parties are as follows:

	31 December 2021	31 December 2020
Revenue from related parties		
Türkiye Bankalar Birliği Risk Merkezi İkt. İşl.	220,967,909	189,620,944
T. Garanti Bankası A.Ş.	26,279,612	20,623,161
T. İş Bankası A.Ş.	23,188,188	23,188,863
Akbank T.A.Ş.	22,129,195	13,922,021
T. Vakıflar Bankası T.A.O.	17,178,381	11,015,345
T.C. Ziraat Bankası A.Ş.	16,164,583	12,872,218
Yapı ve Kredi Bankası A.Ş.	15,351,195	11,603,412
Denizbank A.Ş.	11,286,721	9,799,764
T. Halk Bankası A.Ş.	7,840,347	5,298,974
Koçsistem Bilgi Ve İletişim Hizm. A.Ş.	3,496,651	2,575,136
Finansal Kurumlar Birliği Ticaret Finansmanı İktisadi İşletmesi	3,613,704	-
Şekerbank T.A.Ş.	1,848,942	1,828,321
Otokoç Otomotiv Ticaret ve Sanayi A.Ş.	976,271	381,136
TBB Türkiye Bankalar Birliği	964,684	1,086,695
Vakıf Katılım Bankası A.Ş.	553,795	379,591
Anadolu Anonim Türk Sigorta Şirketi	524,330	1,401,560
Ziraat Katılım Bankası A.Ş.	359,602	270,379
Aksigorta A.Ş.	270,327	200,486
Anadolu Hayat Emeklilik A.Ş.	219,000	390,150
Koç Finansman A.Ş.	94,237	108,358
Türkiye Sınai Ve Kalkınma Bankası A.Ş.	83,125	72,005
Garanti Faktoring A.Ş.	82,251	75,685
İş Faktoring A.Ş.	78,262	67,501
Koç Fiat Kredi Finansman A.Ş.	59,233	55,644
Bankalararası Kart Merkezi A.Ş.	55,959	37,896
Deniz Faktoring A.Ş.	49,930	36,578
İş Finansal Kiralama A.Ş.	41,920	40,638
Halk Finansal Kiralama A.Ş.	38,478	37,536
Yapı Kredi Finansal Kiralama A.O.	36,504	35,655
Ak Finansal Kiralama A.Ş.	35,914	34,491
Garanti Finansal Kiralama A.Ş.	34,865	33,551
VDF Faktoring A.Ş.	32,606	27,908
Arap Türk Bankası A.Ş.	27,672	11,348
Şeker Faktoring A.Ş.	25,343	36,142
Volkswagen Doğuş Finansman A.Ş.	20,730	19,359
Vakıf Faktoring A.Ş.	5,440	5,874
Vakıf Finansal Kiralama A.Ş.	2,870	3,289
Halk Faktoring A.Ş.	2,648	4,155
VDF Filo Kiralama A.Ş.	2,471	2,200
Garanti Filo Yönetim Hizmetleri A.Ş.	2,465	2,230
Şeker Finansal Kiralama A.Ş.	2,082	2,302
A&T Finansal Kiralama A.Ş.	806	777
Yapı Kredi Faktoring A.Ş.	88	477
Deniz Finansal Kiralama A.Ş.	84	77
Şeker Finansman A.Ş.	-	14
Toplam	**374,029,420**	**307,209,846**

KKB KREDİ KAYIT BÜROSU A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish Lira ("TRY"), unless otherwise indicated.)

7. INVENTORIES

	31 December 2021	31 December 2020
Trade goods (*)	5,832,401	2,139,642
Total	**5,832,401**	**2,139,642**

(*) This balance consists of equipments obtained in order to sell to customers for use of the services provided by the Company to member organizations. These inventory items consist of consumables such as cables, shelves and cabinets.

As of 31 December 2021 and 2020, there are no inventories given as collateral for liabilities.

8. TANGIBLE ASSETS

Movements of tangible assets for the period between 1 January and 31 December 2021 are as follows:

	1 January 2021	Additions	Transfers	Disposals	31 December 2021
Cost					
Buildings	129,823,061	898,204	-	-	130,721,265
Machinery, plant and equiment	90,856,518	7,628,784	927,093	(4,767,431)	94,644,964
Furniture and fixtures	79,965,843	38,051,360	15,031,875	(8,637,070)	124,412,008
Constructions in progress	18,319,462	30,009,163	(27,426,133)	(457,955)	20,444,537
	318,964,884	**76,587,511**	**(11,467,165)**	**(13,862,456)**	**370,222,774**
Accumulated depreciation					
Buildings	(16,196,484)	(3,204,811)	-	-	(19,401,295)
Machinery, plant and equiment	(36,113,814)	(7,113,302)	-	4,547,982	(38,679,134)
Furniture and fixtures	(36,262,380)	(18,399,390)	-	7,974,402	(46,687,368)
	(88,572,678)	**(28,717,503)**	**-**	**12,522,384**	**(104,767,797)**
Net book value	**230,392,206**				**265,454,977**

Movements of tangible assets for the period between 1 January and 31 December 2020 are as follows:

	1 January 2020	Additions	Transfers	Disposals	31 December 2020
Cost					
Buildings	128,914,592	908,469	-	-	129,823,061
Machinery, plant and equiment	88,361,830	2,544,308	-	(49,620)	90,856,518
Furniture and fixtures	56,033,553	16,490,054	7,450,267	(8,031)	79,965,843
Constructions in progress	5,358,050	30,470,310	(17,500,743)	(8,155)	18,319,462
	278,668,025	**50,413,141**	**(10,050,476)**	**(65,806)**	**318,964,884**
Accumulated depreciation					
Buildings	(12,827,354)	(3,369,130)	-	-	(16,196,484)
Machinery, plant and equiment	(28,820,862)	(7,325,472)	-	32,520	(36,113,814)
Furniture and fixtures	(22,244,699)	(14,020,191)	-	2,510	(36,262,380)
	(63,892,915)	**(24,714,793)**	**-**	**35,030**	**(88,572,678)**
Net book value	**214,775,110**				**230,392,206**

There is no mortgage on the Companys's tangible assets (31 December 2020: None).

As of 31 December 2021, the insurance amount on tangible assets is TL 2,697,073,063 (31 December 2020: TL 1,365,652,400).

(Amounts expressed in Turkish Lira ("TRY"), unless otherwise indicated.)

9. INTANGIBLE ASSETS

Movements of intangible assets for the period between 1 January and 31 December 2021 are as follows:

	1 January 2021	Additions	Transfers	Disposals	31 December 2021
Cost					
Softwares	103,825,807	11,431,303	383,240	-	115,640,350
Rights	21,113,558	510,056	11,083,925	-	32,707,539
Other intangible assets	1,671,955	1,163	-	-	1,673,118
	126,611,320	**11,942,522**	**11,467,165**	**-**	**150,021,007**
Accumulated depreciation					
Softwares	(60,421,969)	(20,623,523)	-	-	(81,045,492)
Rights	(5,974,044)	(4,312,543)	-	-	(10,286,587)
Other intangible assets	(1,313,078)	(35,423)	-	-	(1,348,501)
	(67,709,091)	**(24,971,489)**	**-**	**-**	**(92,680,580)**
Net book value	**58,902,229**				**57,340,427**

Movements of intangible assets for the period between 1 January and 31 December 2020 are as follows:

	1 January 2020	Additions	Transfers	Disposals	31 December 2020
Cost					
Softwares	66,423,533	34,721,463	2,680,811	-	103,825,807
Rights	12,436,039	1,307,854	7,369,665	-	21,113,558
Other intangible assets	1,653,960	17,995	-	-	1,671,955
	80,513,532	**36,047,312**	**10,050,476**	**-**	**126,611,320**
Accumulated depreciation					
Softwares	(45,386,397)	(15,035,572)	-	-	(60,421,969)
Rights	(2,687,398)	(3,286,646)	-	-	(5,974,044)
Other intangible assets	(1,277,425)	(35,653)	-	-	(1,313,078)
	(49,351,220)	**(18,357,871)**	**-**	**-**	**(67,709,091)**
Net book value	**31,162,312**				**58,902,229**

10. LEASES

As of 31 December 2021 and 2020, the details of right of use assets are as follows:

	31 December 2021	31 December 2020
Vehicles	4,505,825	3,996,471
Buildings	675,044	1,859,804
Total	**5,180,869**	**5,856,275**

	31 December 2021	31 December 2020
Beginning of the period - 1 January	**5,856,275**	**3,149,540**
Additions	2,651,733	5,206,600
Additions depreciation expense	(3,327,139)	(2,499,865)
End of the period - 31 December	**5,180,869**	**5,856,275**

KKB KREDİ KAYIT BÜROSU A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish Lira ("TRY"), unless otherwise indicated.)

10. LEASES (Continued)

As of 31 December 2021 and 2020, the details of lease liabilities are as follows:

	31 December 2021	31 December 2020
Short term lease liabilities	3,115,936	2,476,669
Long term lease liabilities	2,506,083	3,773,052
Total	**5,622,019**	**6,249,721**

Movement table of the lease liabilities in the period of 1 January - 31 December 2021 and 2020 is as follows:

	31 December 2021	31 December 2020
Beginning of the period - 1 January	**6,249,721**	**3,093,255**
Additions	2,651,733	5,206,600
Payments (-)	(4,262,911)	(3,088,900)
Interest expenses	983,476	942,183
Exchange differences	-	96,583
End of the period – 31 December	**5,622,019**	**6,249,721**

11. SHORT TERM AND LONG TERM LIABILITIES

As of 31 December 2021 and 2020, the details of short and long term liabilities are as follows:

	31 December 2021	31 December 2020
Short term leasing payables	-	37,980
Total	**-**	**37,980**

The Company has no borrowings as of 31 December 2021 (As of 31 December 2020, the effective weighted average interest rates for denominated US Dollar, Euro and TL financial leasing payables are respectively 6.16%, and 3.25%).

As of 31 December 2021 and 2020, the payment schedule of financial leasing payables is as follows:

	31 December 2021	31 December 2020
Up to 1 year	-	37,980
Total	**-**	**37,980**

The movement table of the Company's financial liabilities for the accounting period between 1 January and 31 December 2021 and 2020 is as follows:

	2021	2020
Beginning of the period - 1 January	**37,980**	7,027,358
Payments during the period (-)	(37,980)	(8,088,722)
The effect of unrealized exchange rate differences	-	1,099,845
Accrual of interest	-	(501)
End of the period - 31 December	**-**	**37,980**

(Amounts expressed in Turkish Lira ("TRY"), unless otherwise indicated.)

12. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Letters of guarantee given:

	31 December 2021	31 December 2020
Letters of guarantee	70,506	126,199
Total	**70,506**	**126,199**

Letters of guarantee received:

	31 December 2021	31 December 2020
Letters of guarantee received (*)	21,680	1,598,404
Total	**21,680**	**1,598,404**

(*) Letters of guarantee received from the service provider companies regarding the building of the Company that is located in Ankara Organized Industrial Zone.

As of 31 December 2021, the Company has no collateral, pledge or mortgage given for the purpose of acquiring its own debt or debt of any person or entity other than the Company, (31 December 2020: No colleteral, pledge or mortgage).

Lawsuits againts the company:

As of 31 December 2021, there are 14 lawsuits filed against the Company, Provision of TL 1,343,529 has been provided based on the best estimates of the Company management regarding these lawsuits, (31 December 2020: There are 13 cases and TL 1,145,020 has been provisioned).

13. EMPLOYMENT BENEFITS

i) Payables for employee benefits

As of 31 December 2021 and 2020, the details of the payables for the employees are as follows:

	31 December 2021	31 December 2020
Social security witholding to be paid	2,823,684	2,389,183
Payables to employees	257,131	88,512
Total	**3,080,815**	**2,477,695**

ii) Short term provisions

As of 31 December 2021 and 2020, the details of the Company's short-term provisions are as follows:

	31 December 2021	31 December 2020
Provision for personnel performance bonus	31,162,139	22,543,603
Provision for unused vacation	8,940,604	7,295,267
Provision for bank commissions (*)	5,977,675	741,452
Provision for uninvoiced expenses	325,879	174,871
Other provions	4,147,373	1,555,591
Total	**50,553,670**	**32,310,784**

(*) The Company works with various banks from Turkey in order to complete transactions of Findeks products, The Company pays commissions to the banks in direct proportion to sale amounts within the context of agreements terms. These balances consist of provisions for commissions payable to branch banks as of 31 December 2021 and 2020.

(Amounts expressed in Turkish Lira ("TRY"), unless otherwise indicated.)

13. EMPLOYMENT BENEFITS (Continued)

The movement table of provision for personnel performance bonus of the Company for the periods between 1 January and 31 December 2021 and 2020 is as follows:

	31 December 2021	31 December 2020
Beginning of the period - 1 January	22,543,603	18,658,413
Increase in the period	31,162,139	22,543,603
Paid during the period (-)	(22,543,603)	(18,658,413)
End of the period - 31 December	**31,162,139**	**22,543,603**

iii) Long term provisions

As of 31 December 2021 and 2020, the details of the Company's long-term provisions are as follows:

	31 December 2021	31 December 2020
Provision for employment termination benefits	5,577,417	3,514,406
Provision for lawsuits	1,343,529	1,145,020
Other	357,988	525,988
Total	**7,278,934**	**5,185,414**

The provision for employment termination benefits is provided for as explained below.

Under the Turkish Labor Law, the Company is required to pay termination benefits to each employee who has completed at least one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men). Since the legislation was changed on 23 May 2002, there are certain transitional provisions relating to length of service prior to retirement.

The principal assumption is that the maximum liability for each year service will increase in line with inflation, Thus, the discount rate applied represents the expected rate of actual inflation. As the maximum liability is revised semi-annually the maximum amount of TL 8,284.51 which is effective from 1 January 2021 has been taken into consideration in calculating the provision for employment termination benefits of the Company (31 December 2020: TL 7,117.17, effective from 1 January 2020).

The liability is not funded, as there is no funding requirement, Provision for employment termination benefits is calculated by estimating the present value of the probable liability in the case of retirement of the employees.

The Company develops and uses actuarial valuation methods to estimate the employee termination benefit provision, Accordingly, the following actuarial assumptions were used in the calculation of the total liability:

	31 December 2021	31 December 2020
Annual discount rate (%)	4.24	4.15

The movement of employment termination benefits during the year is as follows:

	2021	2020
Provision for employment termination benefits		
Beginning of the period - 1 January	3,514,406	1,886,824
Service cost	535,013	378,243
Interest cost	371,172	188,682
Termination cost	189,880	-
Payment within the period (-)	(628,191)	(302,774)
Actuarial (gain)/loss	1,595,137	1,363,431
End of the period - 31 December	**5,577,417**	**3,514,406**

(Amounts expressed in Turkish Lira ("TRY"), unless otherwise indicated.)

14. PREPAID EXPENSES AND DEFERRED INCOME

The details of short-term prepaid expenses of the Company as of 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Short term prepaid expenses (*)		
Prepaid expenses from related parties	6,892,507	5,330,756
Prepaid expenses from other parties	35,382,571	21,054,917
Total	**42,275,078**	**26,385,673**

(*) As of 31 December 2021 and 2020, the related amounts consist of prepaid insurance, maintenance, dues, training and other miscellaneous expenses which have not been included in the statement of profit or loss.

As of 31 December 2021 and 2020, the details of long-term prepaid expenses are as follows:

Long term prepaid expenses (*)

	31 December 2021	31 December 2020
Long term prepaid expenses (*)		
Prepaid expenses from other parties	5,923,552	4,688,920
Total	**5,923,552**	**4,688,920**

(*) As of 31 December 2021 and 2020, the related amounts consist of prepaid insurance, maintenance, dues, training and other miscellaneous expenses which have not been included in the statement of profit or loss.

The details of deferred income as of 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Deferred income		
Deferred income (*)	100,137,776	59,773,163
Toplam	**100,137,776**	**59,773,163**

(*) As of 31 December 2021 and 31 December 2020, the relevant amounts consist of service income that the Company has collected in advance regarding Findeks products and has not yet accrued.

15. OTHER ASSSETS AND LIABILITIES

a) Other current assets:

The details of other current assets as of 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Deferred VAT	1,372,454	2,675,085
Receivables from employees	168,090	318,676
Order advances given	-	365,296
Amounts to be invoiced	-	1,962
Accruals on trade receivables from customers	-	278,135
Total	**1,540,544**	**3,639,154**

b) Other non-current assets:

The details of other fixed assets as of 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Deposits and guarantees given	58,258	11,320
Total	**58,258**	**11,320**

KKB KREDİ KAYIT BÜROSU A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish Lira ("TRY"), unless otherwise indicated.)

16. SHAREHOLDERS' EQUITY

The Company's authorized share capital consists of TL 7,425,000 of each TL 1 nominal share (31 December 2020: TL 7,425,000)

Shareholders or their proxies present at the Ordinary and Extraordinary General Assembly meetings have 1 voting right per share.

The Company's shareholders and their shares in the capital at 31 December 2021 and 2020 are as follows:

	31 December 2021		31 December 2020	
	Share (%)	Share amount (TL)	Share (%)	Share amount (TL)
Shareholders				
Yapı ve Kredi Bankası A.Ş.	18,2	1,350,000	18,2	1,350,000
Türkiye Halk Bankası A.Ş.	18,2	1,350,000	18,2	1,350,000
Akbank T.A.Ş.	9,1	675,000	9,1	675,000
Türkiye Garanti Bankası A.Ş.	9,1	675,000	9,1	675,000
Şekerbank T.A.Ş.	9,1	675,000	9,1	675,000
Türkiye İş Bankası A.Ş.	9,1	675,000	9,1	675,000
Denizbank A.Ş.	9,1	675,000	9,1	675,000
T. Vakıflar Bankası T.A.O.	9,1	675,000	9,1	675,000
T.C. Ziraat Bankası A.Ş.	9,1	675,000	9,1	675,000
Paid in capital	**100**	**7,425,000**	**100**	**7,425,000**

	31 December 2021	31 December 2020
Reserves on retained earnings		
Extraordinary reserves	204,868,081	146,513,689
Reserves on retained earnings	14,377,525	14,377,525
Share capital adjustment	2,574,025	2,574,025
Total	**221,819,631**	**163,465,239**

The legal reserves consist of first and second reserves, appropriated in accordance with the Turkish Commercial Code ("TCC"). The TCC stipulates that the first legal reserve is appropriated out of statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the Company's paid-in share capital. The second legal reserve is appropriated at the rate of 10% per annum of all cash distributions in excess of 5% of the paid-in share capital. Under the TCC, the legal reserves can only be used to offset losses and are not available for any other usage unless they exceed 50% of paid-in share capital. As of 31 December 2021, the extraordinary reserves of the Company which are classified under the statutory reserves are TL 204,868,081 (31 December 2020: TL 146,513,689).

At the Ordinary General Assembly of the Company held on March 24, 2021, it was decided that the net profit remaining after the legal liabilities have been deducted from the gross profit of 2020 will not be distributed to the shareholders and kept in the Extraordinary Reserves account.

17. SALES AND COST OF SALES

The Company's sales for the periods 1 January - 31 December 2021 and 2020 and the cost of sales are as follows:

	1 January- 31 December 2021	1 January - 31 December 2020
Sales ve cost of sales		
Sales	507,704,217	448,812,468
Sales returns (-)	(1,239,139)	(992,755)
Total	**506,465,078**	**447,819,713**
Cost of sales (-)		
Personnel expenses (*)	(102,960,630)	(89,774,864)
Depreciation expenses	(26,067,146)	(22,278,421)
System services expenses	(14,789,637)	(10,018,977)
Score service expenses	(8,383,059)	(13,437,739)
Query services expenses	(7,510,042)	(6,662,296)
Other expenses	(9,493,293)	(9,468,117)
Total	**(169,203,807)**	**(151,640,414)**
Gross operating profit	**337,261,271**	**296,179,299**

(*) The relevant amount includes personnel bonus provision of TL 18,699,483. The relevant amount were paid on 31 January 2022.

KKB KREDİ KAYIT BÜROSU A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish Lira ("TRY"), unless otherwise indicated.)

18. MARKETING, SELLING AND DISTRIBUTION EXPENSES, GENERAL ADMINISTRATIVE EXPENSES

a) Marketing, selling and distribution expenses:

The details of marketing, selling and distribution expenses of the Company for the periods 1 January - 31 December 2021 and 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Commission expenses	35,076,984	22,063,664
Advertising, media and sales expenses	30,988,033	19,861,743
Other	948,033	721,399
Total	**67,013,050**	**42,646,806**

b) General administrative expenses:

The details of general administrative expenses for the accounting periods of 1 January- 31 December 2021 and 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Personnel expenses (*)	79,498,010	60,884,109
Installation, maintenance and support expense	58,422,454	40,543,905
Amortization and depreciation expense	27,621,846	20,794,243
Electricity, water and fuel costs	17,938,704	10,256,046
Consultancy expenses	12,822,178	13,118,423
Communication expense	12,298,743	11,212,257
Taxes and other liabilities	4,885,841	2,936,862
Amortisation expenses from lease	3,327,139	2,499,865
Insurance expenses	2,521,543	1,689,325
Travel expenses	583,559	379,672
Other	4,591,879	2,117,423
Total	**224,511,896**	**166,432,130**

(*) The relevant amount includes personnel bonus provision of TL 12,462,656. The relevant amount were paid on 31 January 2022.

19. EXPENSES BY NATURE

The details of expenses by nature for the accounting periods of 1 January - 31 December 2021 and 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Personnel expenses	182,458,640	150,658,973
Installation, maintenance and support expense	58,422,454	40,543,905
Amortization and depreciation expense	53,688,992	43,072,664
Electricity, water and fuel cost	17,938,704	10,256,046
System services expenses	14,789,637	10,018,977
Consultancy expenses	12,822,178	13,118,423
Communication expense	12,298,743	11,212,257
Score service expenses	8,383,059	13,437,739
Query services expenses	7,510,042	6,662,296
Taxes and other liabilities	4,885,841	2,936,862
Amortisation expense related with leases	3,327,139	2,499,865
Insurance expenses	2,521,543	1,689,325
Travel expenses	583,559	379,672
Other	14,085,172	11,585,540
Total	**393,715,703**	**318,072,544**

(Amounts expressed in Turkish Lira ("TRY"), unless otherwise indicated.)

20. OTHER INCOME AND EXPENSES FROM MAIN OPERATIONS

The details of the Company's other operating income for the accounting periods of 1 January - 31 December 2021 and 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Provisions no longer required	(2,262,851)	(1,161,477)
Mutual funds income	(764,601)	(324,864)
Other income	(2,739,705)	(1,259,380)
Total	**(5,767,157)**	**(2,745,721)**

The details of the Company's other operating expenses for the accounting periods of 1 January - 31 December 2021 and 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Expected credit loss provision expense	98,041	79,896
Other expenses (-)	550,776	76,881
Losses from fix asset sales	-	21,520
Total	**648,817**	**178,297**

21. FINANCIAL INCOMES AND EXPENSES

The details of financing income and expenses of the Company for the periods 1 January - 31 December 2021 and 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Financial income		
Interest income on time deposits	19,019,871	9,516,373
Foreign exchange gains	95,718,517	7,846,983
Total	**114,738,388**	**17,363,356**

	1 January- 31 December 2021	1 January- 31 December 2020
Financial expenses (-)		
Foreign exchange loss	64,899,150	10,793,557
Foreign exchange loss	984,303	1,082,974
Total	**65,883,453**	**11,876,531**

22. TAX ASSETS AND LIABILITIES

	31 December 2021	31 December 2020
Provision for corporate tax	19,107,827	17,080,910
Prepaid corporate tax (-)	(21,728,651)	(19,094,433)
Current period tax (asset)/liability, net	**(2,620,824)**	**(2,013,523)**

The Company is subject to Turkish corporate taxes. Corporate tax is declared until the evening of the twenty-fifth day of the fourth month following the end of the relevant accounting period and is paid in one installment until the end of the relevant month. In Turkey, the corporate tax rate applied to the legal tax base to be found by adding the expenses that are not accepted as deductible by the tax laws to the commercial income of the corporations by deducting the exemptions in the tax laws was applied as 20% after January 1, 2021. However, with the Law No. 7316 on the Collection Procedure of Public Claims and the Law on Amendments to Certain Laws, which entered into force after being published in the Official Gazette dated April 22, 2021 and numbered 31462, with the Provisional Article 13 added to the Corporate Tax Law No. 5520, the corporate tax rate has been disposed to be 25% for corporate earnings for the 2021 taxation period and 23% for corporate earnings for the 2022 taxation period The rate is set to be 25% for corporate earnings for the 2021 taxation period and 23% for corporate earnings for the 2022 taxation period. The change is valid for the taxation of corporate earnings for the periods starting from 1 January 2021, starting with the declarations that must be submitted as of July 1, 2021. Since the tax rate change came into effect as of April 22, 2021, the tax rate was used as 25% in the calculations of the period tax in the financial statements dated 31 December 2021. Within the scope of the new amendment, deferred tax assets and liabilities in the financial statements dated 31 December 2021 are calculated at the rates of 23% and 20%, respectively, for the portions of temporary differences that will have tax effects in 2022 and the following periods. According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period, provided that they do not exceed 5 years. Declarations and related accounting records can be examined by the tax office within five years and tax accounts can be revised. As of 31 December 2021, the Company has no deductible financial loss (31 December 2020: None).

(Amounts expressed in Turkish Lira ("TRY"), unless otherwise indicated.)

22. TAX ASSETS AND LIABILITIES (Continued)

Dividend payments made to from resident incorporated companies in Turkey, to those who are not liable and exempt from corporate tax and income tax, and to real persons and non settled non-resident legal entities in Turkey are subject to 15% income tax. Dividend payments made from joint stock companies residing in Turkey to joint stock companies residing in Turkey are not subject to income tax. In addition, if the profit is not distributed or added to the capital, income tax is not calculated. In addition, 75% of the profits arising from the sale of the participation shares in the assets of the corporations for at least two full years and the founder's shares, the usufruct shares, and the pre-emptive rights of the real estates (immovables) owned for the same period, are exempt from corporate tax as of 31 December 2017. However, with the amendment made with Law No. 7061, this rate has been reduced from 75% to 50% in terms of immovables and this rate is used as 50% in tax returns to be prepared as of 2018.

In order to benefit from the exemption, the said income must be kept in a passive fund account and not withdrawn from the business for 5 years. The sales price must be collected until the end of the second calendar year following the year of sale.

In Turkey, there is no practice of reaching an reconciliation with the tax administration regarding the taxes to be paid. Corporate tax returns are submitted within four months following the end of the accounting period. The tax inspection authorities can examine the tax returns and the accounting records underlying them for five years following the accounting period and make an additional reassessment as a result of their findings.

The tax expenses in the statement of profit or loss for the periods ended at 31 December 2021 and 2020 are summarized below:

	1 January- 31 December 2021	1 January- 31 December 2020
Current tax charge (-)	(19,107,827)	(17,080,910)
Deferrred tax expense (-)	(5,397,165)	(2,486,755)
Total	**(24,504,992)**	**(19,567,665)**

As of 31 December 2021 and 2020, the Company's tax reconciliation is presented as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Profit before tax	**95,983,316**	**95,983,316**
Theoretical tax expense calculated with current tax rate (-)	(24,952,950)	(21,116,330)
Effect of change in tax rate (*)	(468,467)	1,209,080
(Disallowable expenses)/discounts, net	916,425	339,585
Total tax expense	**(24,504,992)**	**(19,567,665)**

(*) The company calculates its deferred income tax assets and liabilities by taking into account the effects of temporary differences that arise as a result of the different evaluations between the BRSA Accounting and Financial Reporting Legislation and the Tax Procedure Law in the balance sheet items. The tax rate used in calculating deferred tax assets and liabilities is 25%, 23% and 20% for taxable gains in 2021, 2022 and beyond, respectively (31 December 2020: 22%).

Deferred Tax

Ertelenmiş vergi varlık ve yükümlülüklerin finansal tablolarda yer alan kayıtlı değerleri ile vergi matrahında kullanılan değerleri arasındaki vergi indirimine konu olmayan şerefiye ve muhasebeye ve vergiye konu olmayan ilk defa kayıtlara alınan varlık ve yükümlülük farkları hariç geçici farklar üzerinden hesaplanır.

The details of the deferred tax calculations as of 31 December 2021 and 2020 are as follows:

	Total temporary differences		Deferred tax assets/(liabilities)	
	31 December 2021	**31December 2020**	**31 December 2021**	**31 December 2020**
Provision for termination (Note 13)	5,577,417	3,514,406	1,115,483	702,881
Provision for unused vacation (Note 13)	8,940,604	7,295,267	2,056,339	1,459,053
Provision for expected credit loss (Note 2.4)	98,041	79,896	22,549	15,979
Lease liabilities	441,149	393,446	101,464	78,689
Deferred tax assets	**15,057,211**	**11,283,015**	**3,295,835**	**2,256,602**
Depreciation adjustment of tangible and intangible assets (-)	(91,751,493)	(71,737,089)	(21,102,843)	(14,347,418)
Deferred tax liabilities (-)	**(91,751,493)**	**(71,737,089)**	**(21,102,843)**	**(14,347,418)**
Deferred tax liabilities (-), net			**(17,807,008)**	**(12,090,816)**

(Amounts expressed in Turkish Lira ("TRY"), unless otherwise indicated.)

22. TAX ASSETS AND LIABILITIES (Continued)

The details of the movement table of the deferred tax liabilities for the periods ended at 31 December 2021 and 2020 are as follows:

	2021	2020
Beginning of the period - 1 January	**(12,090,816)**	**(9,876,747)**
Deferred tax expense recognized under the statement of profit or loss (-)	(5,397,165)	(2,486,755)
Deferred tax (expense)/income recognized under equity	(319,027)	272,686
End of the period - 31 December	**(17,807,008)**	**(12,090,816)**

Transfer pricing

In Turkey, transfer pricing regulations are specified in Article 13 of the Corporate Tax Law, titled "Disguised profit distribution through transfer pricing". The communiqué dated 18 November 2007 with the notification on disguised profit distribution via transfer pricing regulates the details of the implementation.

If the taxpayer buys or sells goods or services with related parties at the price or price they have determined in violation of the arm's length principle, the profit is deemed to have been distributed implicitly through transfer pricing in whole or in part. Disguised profit distribution through such transfer pricing is considered as an expense that is not legally accepted for corporate tax.

23. INCOME FROM INVESTING ACTIVITIES

The details of the income obtained from the investment activities of the Company for the periods 1 January - 31 December 2021 and 2020 are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Income from sale of tangible and intangible assets	556,236	31,042
Total	**556,236**	**31,042**

24. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

Due to its operations, The Company is exposed to cash flow risk, market risk arising from interest risks, capital risk, credit risk and liquidity risk. The Company's risks management policy focuses on unexpected changes in financial markets.

The management policy of financial risks is performed by the Company's senior management and finance department in line with its policies and strategies approved by the Board of Directors. The Board of Directors prepares principles and policies in general to manage exchange rate, interest and capital risks and closely monitors financial and operational risks.

The Company is exposed to the following risks during its operations:

Credit Risk

Liquidity Risk

Market Risk

Capital Risk

This note is presented to inform the Company about its objectives, policies and processes under these risks if the Company is exposed to the above mentioned risks.

(Amounts expressed in Turkish Lira ("TRY"), unless otherwise indicated.)

24. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Credit risk:

Credit risk arises from deposits in banks, receivables from related parties and other trade receivables. In addition, it holds hold the financial assets also carries the risk of the third party's not meeting the requirements of the agreement. The Company management meets these risks by limiting the average risk for the counterparty in each agreement, Trade receivables are evaluated by the Company management on the basis of past experiences and current economic situation and presented in the balance sheet. As of 31 December 2021 and 2020, the credit risk exposure for the financial instruments is as follows:

	Trade Receivables		Other Receivables		Cash and Cash Equivalents at Banks	
31 December 2021	**Related party**	**Third party**	**Related party**	**Third party**	**Related party**	**Third party**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E)	**42,871,515**	**3,120,988**	**-**	**-**	**151,078,117**	**42,412,517**
- Maximum credit risk secured guarantees etc.	-	-	-	-	-	-
A. Net book value of neither past due not impaired financial assets (3)	42,871,515	3,120,988	-	-	151,078,117	42,412,517
B. Book value of financial assets that are restricted, otherwise which will be recognized as overdue or impaired (3, 4)	-	-	-	-	-	-
C. Net book value of assets past due but not impaired (5)	-	-	-	-	-	-
- Secured by guarantees etc,	-	-	-	-	-	-
D. Net book value of imapired assets	-	-	-	-	-	-
- Past due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- Net value secured by guarantees etc,	-	-	-	-	-	-
- Non past due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- Net value secured by guarantees etc	-	-	-	-	-	-
E. Off-balance items exposed to credit risk	-	-	-	-	-	-

KKB KREDİ KAYIT BÜROSU A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish Lira ("TRY"), unless otherwise indicated.)

24. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

a) Credit risk (Continued):

	Trade Receivables		Other Receivables		Cash and Cash Equivalents at Banks	
31 December 2020	**Related party**	**Third party**	**Related party**	**Third party**	**Related party**	**Third party**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D+E)	**29,768,593**	**3,322,017**	**-**	**-**	**115,000,507**	**11,325,039**
- Maximum credit risk secured guarantees etc.	-	-	-	-	-	-
A. Net book value of neither past due not impaired financial assets (3)	29,768,593	3,322,017	-	-	115,000,507	11,325,039
B. Book value of financial assets that are restricted, otherwise which will be recognized as overdue or impaired (3, 4)	-	-	-	-	-	-
C. Net book value of assets past due but not impaired (5)	-	-	-	-	-	-
- Secured by guarantees etc,	-	-	-	-	-	-
D. Net book value of imapired assets	-	-	-	-	-	-
- Past due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- Net value secured by guarantees etc,	-	-	-	-	-	-
- Non past due (gross book value)	-	-	-	-	-	-
- Impairment amount (-)	-	-	-	-	-	-
- Net value secured by guarantees etc	-	-	-	-	-	-
E. Bilanço dışı kredi riski içeren unsurlar	-	-	-	-	-	-

(Amounts expressed in Turkish Lira ("TRY"), unless otherwise indicated.)

24. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

b) Liquidity Risk:

Prudent liquidity risk management implies holding sufficient cash and marketable securities, the availability of funding through adequate credit transactions and the ability to close out market positions.

The risk of being able to fund the existing and prospective debt requirements is managed by maintaining the availability of sufficient number of credit providers and sufficient amounts of funds generated from operations, The Company management monitors the collection of customer receivables on maturity and tries to avoid any financial burden on the Company in order to ensure uninterrupted liquidation and, as a result of the works carried out with the banks, the cash and non-cash credit limits are determined. As of 31 December 2021 and 2020, the analysis of liquidity risk by type of financial liability is as follows:

31 December 2021

Maturity in accordance eith the agreement	Book value	Total cash outflow in accordance with the agreement (I+II+III)	Up to 3 months (I)	3-12 months (II)	1-5 years (III)
Non derivative financial liabilities					
Lease liabilities	5,622,019	6,713,586	987,119	1,823,187	3,903,280
Trade payables	63,434,413	63,434,413	63,434,413	-	-
Other payables	8,008,356	8,008,356	8,008,356	-	-
Total	**77,064,788**	**78,156,355**	**72,429,888**	**1,823,187**	**3,903,280**

31 December 2020

Maturity in accordance eith the agreement	Book value	Total cash outflow in accordance with the agreement (I+II+III)	Up to 3 months (I)	3-12 months (II)	1-5 years (III)
Non derivative financial liabilities					
Lease liabilities	6,249,721	7,995,893	778,293	2,280,715	4,896,885
Financial leasing payables	37,980	48,351	48,351	-	-
Trade payables	77,327,125	77,327,125	77,327,125	-	-
Other payables	5,036,180	5,088,925	5,088,925	-	-
Total	**88,651,006**	**90,460,294**	**83,242,694**	**2,280,715**	**4,896,885**

KKB KREDİ KAYIT BÜROSU A.Ş.

CONVENIENCE TRANSLATION INTO ENGLISH OF EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 ORIGINALLY ISSUED IN TURKISH

(Amounts expressed in Turkish Lira ("TRY"), unless otherwise indicated.)

24. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

c) Market risk:

i) Currency Risk

Foreign exchange risk is primarily based on the existence of foreign currency denominated debt and assets in US Dollars and Euros and the exchange rate risk arising from foreign currency exchange rate changes during translation of these to TRY.

Foreign currency position table:

		31 December 2021			31 December 2020		
		Total	**Avro**	**ABD Doları**	**Total**	**Avro**	**ABD Doları**
1	Trade receivables	-	-	-	-	-	-
2a.	Monetary financial assets (including cash, cash at banks etc.)	42,973,735	8,302,270	34,671,465	51,461,560	4,237,964	47,223,596
2b.	Non-monetary financial assets	-	-	-	-	-	-
3	Other	-	-	-	270,237	270,237	-
4	**Current assets (1+2+3)**	**42,973,735**	**8,302,270**	**34,671,465**	**51,731,797**	**4,508,201**	**47,223,596**
5	Trade receivable	-	-	-	21,634	-	21,634
6a.	Monetary financial assets	-	-	-	-	-	-
6b.	Non-monetary financial assets	-	-	-	-	-	-
7	Other	31,523	31,523	-	-	-	-
8	**Non current assets (5+6+7)**	**31,523**	**31,523**	**-**	**21,634**	**-**	**21,634**
9	**Total assets (4+8)**	**43,005,258**	**8,333,793**	**34,671,465**	**51,753,431**	**4,508,201**	**47,245,230**
10	Trade payables	(33,955,111)	(4,276,540)	(29,678,571)	(49,170,708)	(2,173,212)	(46,997,496)
11	Financial liabilities	-	-	-	(100,766)	(279)	(100,487)
12a.	Other monetary liabilities	-	-	-	-	-	-
12b.	Other non-monetary liabilities	-	-	-	-	-	-
13	**Short-term liabilities (10+11+12)**	**(33,955,111)**	**(4,276,540)**	**(29,678,571)**	**(49,271,474)**	**(2,173,491)**	**(47,097,983)**
14	Trade payable	-	-	-	-	-	-
15	Financial liabilities	-	-	-	(100,265)	-	(100,265)
16a.	Other monetary liabilities	-	-	-	(345,611)	(345,611)	-
16b.	Other non-monetary liabilities	-	-	-	-	-	-
17	**Long-term liabilities (15+16+17)**	-	-	-	**(445,876)**	**(345,611)**	**(100,265)**
18	**Total liabilities (13+17)**	**(33,955,111)**	**(4,276,540)**	**(29,678,571)**	**(49,717,350)**	**(2,519,102)**	**(47,198,248)**
19	**Net assets/(liabilities) position of off-balance sheet derivative insturement (19a-19b)**	-	-	-	-	-	-
19a.	Total amount of hedged assets	-	-	-	**-**	**-**	**-**
19b.	Total amount of hedged liabilities	-	-	-	-	-	-
20	**Net foreign currency position of assets/ (liabilities) (9-18+19)**	**9,050,147**	**4,057,253**	**4,992,894**	**2,036,081**	**1,989,099**	**46,982**
21	**Net foreign currency positions of assets/ liabilities(monetary items) (1+2a+5+6a-10-11-12a-14-15-16a)**	**9,018,624**	**4,025,730**	**4,992,894**	**1,765,844**	**1,718,862**	**46,982**

(Amounts expressed in Turkish Lira ("TRY"), unless otherwise indicated.)

24. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

i) Currency risk (Continued)

Exchange rate sensitivity table

	31 December 2021		31 December 2020	
	Profit/loss		Profit/loss	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
In case of 20% change in the value of US Dollars against TL:				
1- US Dollar net asset/liability	998,579	(998,579)	9,396	(9,396)
2- US Dollar currency hedging (-)	-	-	-	-
3- US Dollar effect-net (1+2)	**998,579**	**(998,579)**	**9,396**	**(9,396)**
In case of 20% change in the value of Euro against TL:				
4- Euro net asset/liability	811,451	(811,451)	397,820	(397,820)
5- Euro currency hedging (-)	-	-	-	-
6- Euro effect-net (4+5)	811,451	(811,451)	**397,820**	**(397,820)**
Total (3+6)	**1,810,030**	**(1,810,030)**	**407,216**	**(407,216)**

ii) Interest rate risk

The need of Company's dealing ways with interest risk rate arises from effects of interest rates changes on the financial instruments, The sensitivity of the Company to interest rate risk is related with maturity mismatch of assets and liabilities, This risk is managed through corresponding assets that are sensitive to interest rates with similar liabilities.

Interest position table

	31 December 2021	31 December 2020
Fixed rate financial instruments		
Time deposits	185,701,230	120,699,562
Short term borrowings	-	37,980

As of 31 December 2021, the Company has no interest-sensitive financial assets, (31 December 2020: None), Since the Company does not have any floating rate financial assets, the Company is not exposed to interest rate risk. Therefore, the interest rate sensitivity table is not presented.

(Amounts expressed in Turkish Lira ("TRY"), unless otherwise indicated.)

24. NATURE AND EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (Continued)

d) Capital risk management

The Company manages its debt and equity balance in the most efficient manner by examining the maturities of cash and trade receivables and financial and commercial debts from its operations while trying to ensure the continuity of its activities. Risks associated with each capital class together with the capital cost of the Company are evaluated by the top management. The Company management presents these risks to the Board of Directors, Based on the evaluations of the management and the Board of Directors, the Company aims to balance its capital structure through dividend payments as well as through new borrowing or payment of existing debt.

25. FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated fair values of financial instruments have been determined by the Company using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realise in a current market exchange. The fair value of short-term assets and liabilities other than trade receivables and borrowings is considered approximate to the carrying value, since the discount effect of fair value is insignificant. As of 31 December 2021 and 2020, the carrying amount and fair value of financial assets and liabilities are as follows:

	31 December 2021		31 December 2020	
	Carrying amount	**Fair value**	**Carrying amount**	**Fair value**
Financial assets				
Cash and cash equivalents	193,490,634	193,585,791	126,325,546	126,385,240
Trade receivables	45,992,503	45,995,387	33,090,610	33,110,812
Financial liabilities				
Leasing payables	-	-	37,980	48,351
Trade payables	63,434,413	63,434,413	77,327,125	77,327,125

Fair values of financial assets and liabilities are determined as follows:

- Level 1: Financial assets and liabilities are valued at the stock exchange price in an active market for exactly the same assets and liabilities.
- Level 2: Financial assets and liabilities are valued with the inputs used to determine a directly or indirectly observable price other than the stock market price of the relevant asset or liability mentioned in Level 1.
- Level 3: Financial assets and liabilities are valued with inputs that cannot be based on data observable in the market and used to determine the fair value of the asset or liability.

As of 31 December 2021 and 2020, the Company does not have any financial assets or liabilities which are carried at fair value.

26. SUBSEQUENT EVENTS

None.