SİLVERLİNE ENDÜSTRİ VE TİCARET ANONİM ŞİRKETİ

FINANCIAL STATEMENTS FOR THE PERIOD
1 JANUARY - 31 DECEMBER 2021
TOGETHER WITH
INDEPENDENT AUDITOR'S REPORT

(CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITORS' REPORT AND FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

SİLVERLİNE ENDÜSTRİ VE TİCARET ANONİM ŞİRKETİ

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CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

SİLVERLİNE ENDÜSTRİ VE TİCARET ANONİM ŞİRKETİ

STATEMENTS OF FINANCIAL POSITION (BALANCE SHEETS) AT 31 DECEMBER 2021 AND 2020

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

	Notes	Audited 31 December 2021	Audited 31 December 2020
Assets			
Current Assets			
Cash and cash equivalents	4	8,301,273	4,156,778
Trade receivables		182,064,101	129,638,738
- Trade receivables from related parties	5	181,857,424	125,490,213
- Trade receivables from third parties	6	206,677	4,148,525
Other receivables		247,489	131,598
- Other receivables from third parties		247,489	131,598
Inventories	7	147,593,728	59,531,537
Prepaid expenses	8	11,698,761	4,987,822
Current period tax assets		626	1,278
Other current assets	14	1,398,987	102,772
Total Current Assets		**351,304,965**	**198,550,523**
Non-Current Assets			
Other receivables		4,964	4,964
- Other receivables from third parties		4,964	4,964
Property, plant and equipment	9	78,721,240	69,219,404
Intangible assets	10	27,162,172	16,434,340
Deferred tax assets	21	9,928,193	3,554,371
Total Non-Current Assets		**115,816,569**	**89,213,079**
Total Assets		**467,121,534**	**287,763,602**

Financial statements for the period 1 January - 31 December 2021 have been approved for issue by the Board of Directors on 28 February 2022. The General Assembly has the power to amend and reissue the financial statements.

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

SİLVERLİNE ENDÜSTRİ VE TİCARET ANONİM ŞİRKETİ

STATEMENTS OF FINANCIAL POSITION (BALANCE SHEETS) AT 31 DECEMBER 2021 AND 2020

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

	Notes	Audited 31 December 2021	Audited 31 December 2020
LIABILITIES			
Current Liabilities			
Short-term borrowings	11	12,361,913	5,710,549
Short-term portion of long-term borrowings	11	9,688,315	14,276,713
Trade payables		371,173,047	177,522,796
- Trade payables to related parties	5	13,844,716	7,922,337
- Trade payables to third parties	6	357,328,331	169,600,459
Payables related to employee benefits	13	5,940,755	3,921,804
Other payables		159,028	117,473
- Other payables to third parties		159,028	117,473
Short-term provisions		3,408,539	2,323,106
- Short-term provisions for employee benefits	13	2,588,539	1,569,106
- Other short-term provisions	12	820,000	754,000
Other current liabilities	14	4,041,645	3,237,421
Total Current Liabilities		**406,773,242**	**207,109,862**
Non-Current Liabilities			
Long-term borrowings	11	8,133,955	22,207,503
Long-term provisions		10,189,734	5,615,417
- Long-term provisions for employee benefits	13	10,189,734	5,615,417
Total Non-Current Liabilities		**18,323,689**	**27,822,920**
Equity			
Share capital	15	45,000,000	45,000,000
Restricted reserves		513,737	-
Share premium/discount		52,503	52,503
Accumulated other comprehensive expense		(5,678,412)	(2,913,770)
- Items that will not be reclassified to profit or loss		(5,678,412)	(2,913,770)
Retained earnings/(accumulated deficit)		10,178,350	(237,268)
Net profit/(loss) for the period		(8,041,575)	10,929,355
Total Equity		**42,024,603**	**52,830,820**
Total Liabilities and Equity		**467,121,534**	**287,763,602**

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

SİLVERLİNE ENDÜSTRİ VE TİCARET ANONİM ŞİRKETİ

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2021 AND 2020

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

	Notes	Audited 31 December 2021	Audited 31 December 2020
Profit for the Period			
Revenue	16	977,447,499	558,866,638
Cost of sales (-)	16	(887,619,992)	(519,484,478)
GROSS PROFIT		**89,827,507**	**39,382,160**
General administrative expenses (-)	17	(21,579,588)	(16,602,497)
Selling, distribution and marketing expenses (-)	17	(3,625,377)	(278,821)
Research and development expenses (-)	17	(9,705,214)	(5,760,768)
Other operating income	18	151,766,465	76,390,285
Other operating expenses (-)	18	(208,387,195)	(72,921,931)
OPERATING PROFIT/(LOSS)		**(1,703,402)**	**20,208,428**
Income from investment activities		-	2,239,432
Expense from investment activities (-)		(77,910)	(5,082)
Share of profit/loss of investments accounted for using the equity method		-	(628)
OPERATING PROFIT/(LOSS) BEFORE FINANCE INCOME /(EXPENSE)		**(1,781,312)**	**22,442,150**
Financial income	20	896,438	159,748
Financial expenses (-)	20	(12,839,364)	(13,468,874)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**(13,724,238)**	**9,133,024**
Taxes on income		**5,682,663**	**1,796,331**
- Current tax expense	21	-	-
- Deferred tax income	21	5,682,663	1,796,331
PROFIT/(LOSS) FOR YEAR CONTINUING OPERATIONS		**(8,041,575)**	**10,929,355**
NET PROFIT/(LOSS) FOR YEAR		**(8,041,575)**	**10,929,355**
Earnings/(Loss) Per Ordinary Share	22	(0.179)	0.243

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

SİLVERLİNE ENDÜSTRİ VE TİCARET ANONİM ŞİRKETİ

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2021 AND 2020

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

	Notes	Audited 31 December 2021	Audited 31 December 2020
OTHER COMPREHENSIVE INCOME/(EXPENSE)			
Items that will not be reclassified to profit or loss before tax		**(2,764,642)**	**(1,748,439)**
Defined benefit plans remeasurement (losses)/gains, before tax		(3,455,803)	(2,185,549)
Total taxes on other comprehensive expenses that will not be reclassified to profit or loss Deferred tax income /expense		691,161	437,110
OTHER TOTAL COMPREHENSIVE INCOME/(EXPENSE)		**(2,764,642)**	**(1,748,439)**
TOTAL COMPREHENSIVE INCOME/(EXPENSE)		**(10,806,217)**	**9,180,916**

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

SİLVERLİNE ENDÜSTRİ VE TİCARET ANONİM ŞİRKETİ

STATEMENTS OF CHANGE IN EQUITY FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2021 AND 2020

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

			Other comprehensive income and expenses not to be reclassified to profit/(loss)			Accumulated profit/(losses)		
	Share capital	**Treasury shares**	**Actuarial loss arising from defined benefit plans**	**Share premium/ discount**	**Restricted reserves**	**Retained earnings**	**Net profit for the year**	**Total equity**
1 January 2020	**45,000,000**	**(917,564)**	**(1,165,331)**	**52,503**	**-**	**6,135,609**	**(6,372,877)**	**42,732,340**
Transferler	-	-	-	-	-	(6,372,877)	6,372,877	-
Increase/decrease due to acquisition of treasury shares	-	917,564	-	-	-	-	-	917,564
Total comprehensive income	-	-	(1,748,439)	-	-	-	10,929,355	9,180,916
- Net profit for the period	-	-	-	-	-	-	10,929,355	10,929,355
- Other comprehensive expense	-	-	(1,748,439)	-	-	-	-	(1,748,439)
31 December 2020	**45,000,000**	**-**	**(2,913,770)**	**52,503**	**-**	**(237,268)**	**10,929,355**	**52,830,820**
1 January 2021	**45,000,000**	**-**	**(2,913,770)**	**52,503**	**-**	**(237,268)**	**10,929,355**	**52,830,820**
Transfers	-	-	-	-	513,737	10,415,618	(10,929,355)	-
Total comprehensive expense	-	-	(2,764,642)	-	-	-	(8,041,575)	(10,806,217)
- Net loss for the period	-	-	-	-	-	-	(8,041,575)	(8,041,575)
- Other comprehensive expense	-	-	(2,764,642)	-	-	-	-	(2,764,642)
31 December 2021	**45,000,000**	**-**	**(5,678,412)**	**52,503**	**513,737**	**10,178,350**	**(8,041,575)**	**42,024,603**

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

CONVENIENCE TRANSLATION OF FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH

SİLVERLİNE ENDÜSTRİ VE TİCARET ANONİM ŞİRKETİ

STATEMENTS OF CASH FLOWS FOR THE PERIODS 1 JANUARY - 31 DECEMBER 2021 AND 2020

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

	Note	Audited 1 January - 31 December 2021	Audited 1 January - 31 December 2020
Cash Flows from Operating Activities:			
Net Profit/(Loss) for the Period		(8,041,575)	10,929,355
Adjustments Related to Reconciliation of Net Profit/(Loss) for the Year		**48,053,177**	**32,503,306**
Adjustments for depreciation and amortisation	19	15,814,412	11,373,488
Adjustments for impairment loss of receivables		418,797	(1,111,775)
Adjustments for provisions		2,653,757	1,822,381
Adjustments for interest incomes	20	(12,526)	(10,819)
Adjustments for interest expenses	20	6,030,703	7,118,001
Adjustments for unrealised foreign exchange losses (gains)		28,830,697	15,107,733
Adjustments for tax expense/income	21	(5,682,663)	(1,796,331)
Adjustments for losses (gains) on disposal of interests in associates or joint ventures		-	628
Changes in Working Capital			
Adjustments for trade receivables	5-6	(52,406,435)	(46,804,407)
Adjustments for trade payables	5-6	161,336,534	62,789,783
Adjustments for inventories	7	(88,480,988)	(28,784,433)
Adjustments for other asset and receivables		(8,122,393)	(971,190)
Adjustments for other payables and liabilities		2,864,730	1,036,115
Net Cash Provided by Operating Activities		**55,203,050**	**30,698,529**
Other cash inflow/(outflow)	13	(449,809)	(294,608)
Net Cash Provided by Operating Activities		**54,753,241**	**30,403,921**
Cash Flow from Investing Activities:			
Cash inflows from sale of property and equipment	9	230,516	150,576
Cash outflows from purchase of property and equipment (-)	9	(22,828,688)	(11,134,535)
Cash outflows from purchase of intangible assets (-)	10	(13,445,908)	(7,955,031)
Interest income		12,526	10,819
Net Cash Used In Investment Activities		**(36,031,554)**	**(18,928,171)**
Cash Flows from Financing Activities:			
Proceeds from borrowings		8,229,782	11,000,000
Repayments of borrowings		(20,597,545)	(14,118,123)
Interest paid		(5,673,522)	(6,657,222)
Other cash inflow/(outflow)		-	917,564
Net Cash Used In Financing Activities		**(18,041,285)**	**(8,857,781)**
Net increase in cash and cash equivalents before currency translation differences		**680,402**	**2,617,969**
Unrealized Foreign Exchange Differences on Cash and Cash Equivalents		3,464,093	1,072,009
Net Increase in Cash and Cash Equivalents		**4,144,495**	**3,689,978**
Cash and Cash Equivalents at the Beginning of the Year	**4**	**4,156,778**	**466,800**
Cash and Cash Equivalents at the End of the Year	**4**	**8,301,273**	**4,156,778**

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

NOTE 1 - ORGANISATION AND NATURE OF OPERATIONS

Silverline Endüstri ve Ticaret A.Ş. (the "Company") was established on 16 November 1994. The main operations of the Company are production and sales of aspirator, hood, oven and built-in kitchen utensils and machine molds.

The Company's production facilities and headquarters are in Merzifon Amasya. The Company continues its activities in Amasya Merzifon Organize Sanayi Bölgesi in a total area of 76,500 m2, of which 28,500 m2 is closed.

The Company has a branch in Istanbul, which started operating in 1999. Address of the Istanbul Branch is Orta Mahalle Topkapı Maltepe Caddesi No: 6 Floor: 3-5 Sincar Plaza Bayrampaşa- Istanbul.

The Company is registered with the Capital Markets Board ("CMB") and its shares have been quoted on Borsa Istanbul ("BIST") since 2006. As of 31 December 2021, the percentage of publicly listed shares is 46.55% (31 December 2020: 46.55%).

In the accounting period of 1 January - 31 December 2021, 96% of the sales made by the Company were made to its related party, Silverline Ev Gereçleri Satış ve Pazarlama A.Ş. (31 December 2020: 97%).

The average number of employees of the Company in 2021 is 1,105 (31 December 2020: 925).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

The financial statements of the Company have been prepared in accordance with the Turkish Financial Reporting Standards ("TFRS") and interpretations as adopted in line with international standards by the Public Oversight Accounting and Auditing Standards Authority of Turkey ("POA") in line with the communiqué numbered II-14.1 "Communiqué on the Principles of Financial Reporting In Capital Markets" ("the Communiqué") announced by the Capital Markets Board of Turkey ("CMB") on June 13, 2013 which is published on Official Gazette numbered 28676. TFRS are updated in harmony with the changes and updates in International Financial and Accounting Standards ("IFRS") by the communiqués announced by the POA. The financial statements are presented in accordance with "Announcement regarding with TAS Taxonomy" which was published on April 15, 2019 by POA and the format and mandatory information recommended by CMB.

The Company and its subsidiary maintains its accounting records and prepares its statutory financial statements in accordance with the Turkish Commercial Code ("TCC"), tax legislation and the uniform chart of accounts issued by the Ministry of Finance. Financial statements are measured and presented in Turkish Lira ("TRY"), which is the functional currency of the Company, based on historical cost.

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with CMB Accounting Standards. These financial statements and the related notes have been presented in conformity with the alternative application stated above. Please also see Note 24 for the impact of the inflation accounting on financial statements as of 31 December 2021.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments in Turkish Financial Reporting Standards

a) The new standards, amendments and interpretations which are effective as of 31 December 2021:

Amendments to TFRS 7, TFRS 4 and TFRS 16 Interest Rate Benchmark Reform Phase 2; effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific TAS 39 and TFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform. These amendements do not have a significant impact on the financial statements of the Company.

b) Standards, amendments and interpretations that are issued but not effective as at 31 December 2021:

Amendment to TFRS 16, 'Leases' - Covid-19 related rent concessions Extension of the Practical expedient; as of March 2021, this amendment extended till June 2022 and effective from 1 April 2021.As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. On 28 May 2020, the IASB published an amendment to TFRS 16 that provides an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs.

Amendments to TAS 1, Presentation of financial statements' on classification of liabilities; effective date deferred until accounting periods starting not earlier than 1 January 2024. These narrow-scope amendments to TAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what TAS 1 means when it refers to the 'settlement' of a liability.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.2 Amendments in Turkish Financial Reporting Standards (Continued)

A number of narrow-scope amendments to TFRS 3, TAS 16, TAS 37 and some annual improvements on TFRS 1, TFRS 9, TAS 41 and TFRS 16; effective from Annual periods beginning on or after 1 January 2022.

- **Amendments to TFRS 3,** 'Business combinations' update a reference in TFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.

- **Amendments to TAS 16,** 'Property, plant and equipment' 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.

- **Amendments to TAS 37,** 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making.

  Annual improvements make minor amendments to TFRS 1, 'First-time Adoption of TFRS', TFRS 9, 'Financial instruments', TAS 41, 'Agriculture' and the Illustrative Examples accompanying TFRS 16, 'Leases'.

Narrow scope amendments to TAS 1, Practice statement 2 and TAS 8; effective from annual periods beginning on or after 1 January 2023. The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies.

Amendment to TAS 12 - Deferred tax related to assets and liabilities arising from a single transaction; from annual periods beginning on or after 1 January 2023. These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences.

These amendments are not expected to have a material impact on the financial statements of the Company and its performance.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.3 Changes in Accounting Policies

Any change in the accounting policies resulted from the first-time adoption of a new standard is made either retrospectively or prospectively in accordance with the transition requirements. Changes without any transition requirement, material changes in accounting policies or material errors are corrected, retrospectively by restating the prior period financial statements. If changes in accounting estimates are related to only one period, they are recognised in the period when changes are applied; if changes in estimates are related to future periods, they are recognized both in the period where the change is applied and future periods prospectively. The Company has applied consistent accounting policies in its financial statements for the periods presented, and there are no significant changes in accounting policies and estimates in the current period.

2.4 Foreign Currency Translation

i) Functional and Presentation Currency

Items included in the financial statements of Company are measured using the currency of the primary economic environment, Turkish Lira, in which the entity operates ("the functional currency"). The financial statements are presented in TRY, which is the Company's functional and presentation currency.

ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss.

2.5 Offsetting

Financial assets and liabilities are offset and reported in the net amount when there is a legally enforceable right or when there is an intention to settle the assets and liabilities on a net basis or realize the assets and settle the liabilities simultaneously.

2.6 Comparative Information

The Company prepared its financial statements on a comparative basis with the preceding financial period, which enables determination of trends in financial position and performance. The Company prepared its balance sheet at 31 December 2021 on a comparative basis with balance sheet at 31 December 2020; and profit or loss statements, cash flows and changes in equity for the period of 1 January - 31 December 2021 on a comparative basis with financial statements for the period of 1 January - 31 December 2020.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Summary of Significant Accounting Policies

Significant accounting policies followed in the preparation of the financial statements are summarized below:

a) Revenue from Contracts with Customers

The Company recognizes revenue when the goods or services are transferred to the customer and when performance obligation is fulfilled.

The Company recognizes revenue based on the following main principles:

a) Identification of customer contracts,
b) Identification of performance obligations,
c) Determination of transaction price in the contract,
d) Allocation of price to performance obligations,
e) Recognition of revenue when the performance obligations are fulfilled.

According to this model, the goods or services undertaken in each contract with the customers are evaluated and each commitment to transfer the goods or services is determined as a separate performance obligation. Then, it is determined whether the performance obligations are fulfilled over time or at a point in time. If the Company transfers the control of a good or service over time and thus fulfills the performance obligations related to the related sales over time, it measures the progress of the fulfillment of the performance obligations and recognise the revenue to the financial statements. Sales are recognised when control of the products are delivered to customers.

Revenue from product sales

The Company recognizes revenue from the production and sale hood, oven and kitchenware. Sales are recognised when control of the products have transferred to the customer. Delivery occurs when the products are shipped to the customer's location, the risk of aging and damage is transferred to the customers, and if the customers accept the products in accordance with the sales contract, the acceptance conditions expire or the Company has objective evidence that all acceptance criteria are met.

The Company considers the following indicators of the transfer of control,

- Present right to payment for the good or service,
- The customer has legal title to the asset,
- Transfer physical possession of the asset,
- The customer has the significant risks and rewards of ownership of the good,
- The customer has accepted the asset.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Summary of Significant Accounting Policies (Continued)

Revenue from product sales (Continued)

For each performance obligation, the Company determines whether it has fulfilled its performance obligation at the beginning of the contract or whether the performance obligation fulfils the obligation at a certain point in time. The Company records revenue from product sales in the financial statements following the transfer of control to the customer.

In the event that the completed transaction is entitled to collect a price directly corresponding to the value of the customer from its customers (delivery of products), the Company recognise the revenue to the financial statements for the amount it has the right to invoice.

The Company recognizes a refund liability in the financial statements if the entity receives consideration from a customer and expects to refund some or all of that consideration to the customer. A refund liability is measured at the amount of consideration received for which the entity does not expect to be entitled and recognised as advances received on the financial position. The return liability is updated at the end of each reporting period for changes in circumstances.

Interest Income

Interest income is accrued in the relevant period based on the effective interest method, which brings the remaining principal balance and the estimated cash inflows to be obtained from the related financial asset over its expected life to the net book value of the asset.

The Company has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component.

Dividend Income

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

Brand and License Agreement Revenues

These revenues are generated by use of the Company's registered trademarks (Silverline and Esty) by its related party, Silverline Ev Gereçleri Satış ve Pazarlama A.Ş. (Licensee).

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Summary of Significant Accounting Policies (Continued)

b) Financial Assets and Liabilities

Classification and measurement

The Company classified its financial assets in three categories; financial assets carried at amortized cost, financial assets carried at fair value through other comprehensive income and financial assets carried at fair value through profit or loss. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows.

(a) Financial assets carried at amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest, whose payments are fixed or predetermined, which are not actively traded and which are not derivative instruments are measured at amortized cost. They are included in current assets, except for maturities more than 12 months after the balance sheet date. Those with maturities more than 12 months are classified as non-current assets. The Company's financial assets carried at amortized cost comprise "trade receivables", "other receivables" and "cash and cash equivalents" in the financial statements.

Impairment

The Company has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Company measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Company and its expectations for the future indications.

c) Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents comprise cash in hand accounts, deposits held at call with banks other short-term highly liquid investments less than 3 months. Cash and cash equivalents, except for loans originated by the Company that are stated at amortized cost, are stated at their fair values.

In the statement of cash flows, cash flows are classified into three categories as operating, investing and financing activities. Cash flows from operating activities are those resulting from the Company's production and sales activities. Cash flows from investing activities indicate cash flows associated with the Company's investing activities (such as purchase of or proceed from sale of property, plant and equipment) from property, plant and equipment and financial investments. Cash flows from financing activities indicate the resources used in financing activities and the repayment of these resources.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Summary of Significant Accounting Policies (Continued)

d) Trade receivables

Trade receivables that are created by the Company by way of providing goods or services directly to a debtor are carried at amortized cost. Receivables with short-term maturities which have no predefined interest rate are measured at the original invoice amount unless the effect of imputed interest is significant. Company has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, Company measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Group and its expectations for the future indications.

e) Inventories

Inventories are stated at the lower of cost and net realizable value. The cost of inventories is determined on the monthly weighted average basis. Cost elements included in inventories comprise all costs of purchase of material and other costs incurred in bringing the inventories to their present location and condition such as labor and appropriate amount of factory overheads (based on normal operating capacities). Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and estimated costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in the statement of profit or loss in the period the write-down or loss occurred.

f) Property plant and equipment

Property, plant and equipment apart from the lands, land improvements, buildings and machinery and equipment are recognized at their costs in the financial statements by deducting the accumulated depreciation and impairment provisions, if any.

The cost value of the property, plant and equipment; The purchase price consists of import duties and non-refundable taxes, and costs incurred to prepare the tangible asset for use. Expenditure after capitalization is added to the cost of the related asset or recognized as a separate asset if it is highly probable that future economic benefits recognized, and the cost of the related expenditure can be measured reliably.

Tangible fixed assets reviewed for impairment in circumstances that indicate that the carrying amount may be greater than its recoverable value. For the determination of impairment, assets are classified at the cash-generating units (cash-generating unit). If the value of a property, plant and equipment is more than its recoverable value, it is reduced to its recoverable value by making a provision. The recoverable amount is the higher of the asset's value in use or the net selling price less expenses to sell the asset.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

f) Property plant and equipment (Continued)

Repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred. Subsequent costs are included in the asset's carrying value or recognised as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The Company derecognises the carrying amounts of the replaced parts related to renovations regardless of whether the replaced parts were depreciated separately. Subsequent costs included in the asset's carrying value or recognised as separate asset, are depreciated based on their useful lives.

Depreciation is provided on the cost or revalued amounts of property, plant and equipment on a straight-line basis less any impairment. The depreciation periods for property, plant and equipment, which approximate the economic useful lives of such assets, are as follows:

	Useful Life
Buildings	25 - 50 years
Property, machinery and equipment	3 - 25 years
Motor vehicles	5 years
Furniture and fixtures	4 - 15 years

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

g) Intangible assets

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Summary of Significant Accounting Policies (Continued)

h) Research and development expenses

Research expenditure is recognised as expense as incurred. Costs incurred on development projects (relating to the design and testing of developed products) is recognised as intangible assets when it is probable that;

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete the intangible asset and use or sell it,
- Its ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditures are recognised as expense as incurred. If it is difficult to disaggregate the research and development stage of the project, the projects are presumed to be in the research phase which are expensed as they are incurred.

i) Current and deferred income taxes

The tax expense for the period comprises current and deferred income tax. The current income tax liability includes the taxes payable calculated on the taxable portion of the period income with tax rates enacted on the balance sheet date. The adjustments related to prior period tax liabilities are recognised in other operating income and expenses.

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business and significant judgment is required in determining the provision for income taxes. The Company recognizes tax liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. In this respect, the Company recognised deferred income tax assets arising from tax losses carried forward and other deductible differences as their future utilisation is virtually certain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax income or expense is recognised in the statement of comprehensive income, except to the extent that it relates to items recognised directly in equity. In case, when the tax is related to items recognized directly in equity and other comprehensive income, the tax is also recognized in equity and other comprehensive income.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Summary of Significant Accounting Policies (Continued)

Deferred income tax assets or liabilities are reflected to the financial statements to the extent that they will provide an increase or decrease in the taxes payable for the future periods where the temporary differences will be reversed, using tax rates and laws that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled as of the balance sheet date.

Deferred income tax assets or liabilities are reflected to the financial statements to the extent that they will provide an increase or decrease in the taxes payable for the future periods where the temporary differences will be reversed. Deferred income tax liabilities are recognized for all taxable temporary differences, where deferred income tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. To the extent that deferred income tax assets will not be utilized, the related amounts have been deducted accordingly.

j) Impairment of non-financial assets

At each reporting date, the Company assesses whether there is an impairment indication for the assets, except for the deferred income tax asset. When an indication of impairment exists, the Company estimates the recoverable amounts of such assets. The recoverable amounts of intangible assets not yet available for use to be measured annually. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Assets are allocated to cash generating units for the purpose of impairment testing, which is undertaken on the lowest level. An impairment loss is recognized for the amount by which the carrying amount of the asset or any cash-generating unit of that asset exceeds its recoverable amount, which is the higher of an asset's net selling price or value in use. Impairment losses are accounted for in the statement of comprehensive income. Impairment losses can be reversed to the extent that increased carrying amount of an asset shall not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years provided that increases in the recoverable amount of the asset can be associated with events that occur subsequent to the period in which the impairment loss was recognized.

k) Provisions, contingent asset and liabilities

Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation, When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the ecoinomic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement wll be received and the amount of the receivable can be measured reliably.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Summary of Significant Accounting Policies (Continued)

Termination and retirement benefits

Provision for termination benefits means present value of estimated total provision of future potential obligations which will arise from the retirement of personnel as per Turkish Labour Law. In line with the social legislation and Turkish Labour Law which are effective in Turkey, the Company is obliged to collectively pay the termination benefits to each personnel who completed their one-year service period at minimum and is laid off because of the reasons other than resigning voluntarily or acting improperly or to those who retire. The provision for termination benefits has been reduced to the net present value of the obligation amounts which will arise in the future due to the retirement of all personnel in line with the actuarial assumptions determined by the Company management and reflected to the financial statements. Actuarial gains and losses arising from changes in actuarial assumptions used for measuring the related provision are reflected to the financial statements in association with the other statement of comprehensive income.

l) Share capital and dividends

Common shares are classified as equity. Dividends on common shares are recognized in equity in the period in which they are approved and declared.

m) Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to equity holders of the parent company by the weighted average number of ordinary shares in issue during the year excluding ordinary shares purchased and held as treasury shares.

n) Borrowing costs and borrowings

Borrowings are recognized initially at the proceeds received, net of any transaction costs incurred. In subsequent periods, borrowings are restated at amortized cost using the effective interest method. Any difference between proceeds (net of transaction costs) and the redemption value is recognized in the statement of comprehensive income over the period of the borrowings. Borrowing costs are expensed as incurred. If the borrowings mature within 12 months, then they are classified in current liabilities, otherwise they are classified in non-current liabilities.

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which (at least a period of one year) are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

o) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Summary of Significant Accounting Policies (Continued)

p) Related parties

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the 'reporting entity'),

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,
iii) Is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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). A related party transaction is a transfer of resources, services, or obligations between related parties, regardless of whether a price is charged.

r) Government incentives and grants

A government grant is recognised only when there is reasonable assurance that the entity will comply with any conditions attached to the grant and the grant will be received.

The grant is recognised as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

Government grants related to property, plant and equipment are classified under non-current liabilities as deferred government grants and are credited to the profit or loss statement by applying straight-line depreciation over their useful lives.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (Continued)

2.7 Summary of Significant Accounting Policies (Continued)

s) Subsequent events

Events after the reporting period are those events that occur between the balance sheet date and the date when the financial statements are authorized for issue, even if they occur after an announcement related with the profit for the year or public disclosure of other selected financial information.

The Company adjusts the amounts recognized in its financial statements if adjusting events occur after the balance sheet date.

2.8 Going Concern

The Company prepared financial statements in accordance with the going concern assumption.

2.9 Critical accounting estimates, judgments, and assumptions

Preparation of financial statements requires the use of estimates and assumptions that may affect the amount of assets and liabilities recognized as of the balance sheet date, disclosures of contingent assets and liabilities and the amount of revenue and expenses reported. Although these estimates and assumptions rely on the Company management's best knowledge about current events and transactions, actual outcomes may differ from those estimates and assumptions. Significant estimates of the Company management are as follows:

Provision for inventories

As explained in Note 2.7, inventories are valued at the lower of cost or net realizable value less costs to sell. The Company reviews their inventories annually whether any impairment exists. The selling prices of inventories in the subsequent period are estimated by the management considering the cost of inventories. The management determines the estimated selling price considering current market conditions and fluctuations in current prices.

In a case of unexpected changes in market conditions, impairment estimations are subject to change as they are calculated based on the estimation and assumptions of the Company (Note 7).

2.10 Declaration of Conformity to Resolutions Published by TAS/TFRS and POA

The Company's management is responsible for the preparation and fair presentation of financial statements published by TAS/TFRS's and POA according to the resolution of POA. The Company management declares that the current and prior periods' financial statements and summary of significant accounting policies and disclosures have been prepared and presented in accordance with TAS/TFRS.

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

NOTE 3 – SEGMENTS REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors that takes strategic decisions.

NOTE 4 - CASH AND CASH EQUIVALENTS

	31 December 2021	**31 December 2020**
Cash on hand	1,358	3,338
Cash at banks		
Demand deposits	8,299,915	4,153,440
- Turkish Lira	101,863	53,758
- Foreign currency	8,198,052	4,099,682
Total	**8,301,273**	**4,156,778**

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

Based on the independent data with respect to the credit risk assessment of the banks, at which the Company has deposits, the credit quality of the banks is sufficient. The market values of cash and cash equivalents approximate carrying values, including accrued income at the respective balance sheet date.

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

NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES

i) Balances of Related Parties:

a) Trade receivables due from related parties - current:

	31 December 2021	31 December 2020
Silverline Ev Gereçleri Satış ve Pazarlama A.Ş. ("Silverline Ev Gereçleri")	186,594,480	127,707,698
SSH Satış Sonrası Hizmetler A.Ş. ("SSH")	2,257,722	2,039,677
Timay Çit Çit Rivet ve Perçin Sanayi ve Ticaret A.Ş. ("Timay Çıtçıt)	1,235,360	-
Tempo Metal Aksesuar Sanayi ve Ticaret A.Ş. ("Tempo Metal")	956,823	504,203
Other	182	715
	191,044,567	**130,252,293**
Less: Unearned finance income	(9,187,143)	(4,762,080)
	181,857,424	**125,490,213**

The Company management believes that no credit risk for collection losses is inherent in the Company's receivables from the related parties. The maximum exposure to credit risk is limited to the carrying amount of the receivables from related parties. The average maturity of these short-term trade receivables is 90 days (31 December 2020: 95 days). As of 31 December 2021, the effective weighted average interest rate applied to non-trade receivables from related parties is 21.50% per annum (31 December 2020: 15.50%).

b) Trade payables due to related parties - current:

	31 December 2021	31 December 2020
GM Teknik Cam ve Endüstri Ticaret A.Ş. ("GM Teknik")	12,326,022	3,597,712
Timay Çıtçıt	-	2,719,977
Other	1,780,464	1,764,661
	14,106,486	**8,082,350**
Less: Unearned finance income	(261,770)	(160,013)
	13,844,716	**7,922,337**

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

NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

ii) Transactions with Related Parties:

a) Product sales to Related Parties:

	1 January - 31 December 2021	**1 January - 31 December 2020**
Silverline Ev Gereçleri	942,185,070	541,562,299
SSH Satış Sonrası	8,256,535	6,004,862
Tempo Metal	4,852,247	1,725,948
Timay Çıtçıt	1,361,715	1,134,712
Tim Plastik ve Kalıp Teknolojileri Endüstri ve Tic. A.Ş.	93,180	-
	956,748,747	**550,427,821**

b) Service sales from Related Parties:

Timay Çıtçıt	223,261	94,771
Silverline Ev Gereçleri	1,537	1,274,473
Other	218,834	82,897
	443,632	**1,452,141**

c) Product purchases from Related Parties:

GM Teknik	49,352,566	27,301,696
Timay Çıtçıt	19,651,209	36,868,806
TİM Plastik	3,192,508	2,023,956
Silverline Ev Gereçleri	21,152	169,838
MKS Endüstriyel	17,000	350
	72,234,435	**66,364,646**

d) Service purchases from Related Parties:

	1 January - 31 December 2021	**1 January - 30 Haziran 2020**
Gümüş Grup Yatırım Danışmanlık ve Destek Hizmetleri A.Ş. ("Gümüş Grup")	12,514,369	8,792,963
Timay Çıt Çıt	2,522,396	19,621
Silverline Ev Gereçleri	1,750,436	254,311
Other	441,441	127,286
	17,228,642	**9,194,181**

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

NOTE 5 - TRANSACTIONS AND BALANCES WITH RELATED PARTIES (Continued)

e) Fixed asset purchases from Related Parties:

	1 January - 31 December 2021	1 January - 30 Haziran 2020
Timay Çıt Çıt	2,457,076	714,579
GM Teknik	1,687,139	2,246,524
TİM Plastik	710,646	621,799
Other	21,566	379,978
	4,876,427	**3,962,880**

f) Key management compensation:

Key management includes members of Board of Managers. Key management compensation consists of salaries, bonus, health insurance and transportation. The compensation paid or payable to key management is shown below:

Salaries and other short-term employee benefits	2,802,445	2,155,272
	2,802,445	**2,155,272**

NOTE 6 - TRADE RECEIVABLES AND TRADE PAYABLES

a) Short-term trade receivables from third parties:

	31 December 2021	31 December 2020
Trade receivables	486,210	4,427,695
Notes receivable	66,000	-
Unearned finance expense (-)	(121,768)	(55,405)
Less: Allowance for doubtful receivables	(223,765)	(223,765)
	206,677	**4,148,525**

Movements of provision for doubtful receivables are as follows:

	2021	2020
1 January	**223,765**	**590,490**
Reversals	-	(366,725)
31 December	**223,765**	**223,765**

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

NOTE 6 - TRADE RECEIVABLES AND TRADE PAYABLES (Continued)

b) Short-term trade payables to third parties:

	31 December 2021	31 December 2020
Trade payables	339,862,716	165,186,873
Notes payables	21,199,228	6,086,854
	361,117,844	**171,273,727**
Unearned finance expense (-)	(3,789,513)	(1,673,268)
	357,328,331	**169,600,459**

The average maturity of short-term trade payables to third parties is 90 days (31 December 2020: 77 days). As of 31 December 2021, the effective weighted average interest rate applied to non-trade receivables from related parties is 21.50% per annual (31 December 2020: 15.50%).

NOTE 7 - INVENTORIES

	31 December 2021	31 December 2020
Raw materials	103,929,020	52,488,029
Work in progress	6,317,960	4,326,076
Finished goods	2,125,544	557,591
Trade goods	132,435	164,293
Goods in transit	35,434,655	2,457,918
Other inventories	1,166,986	631,705
Provision for inventory impairment (-)	(1,512,872)	(1,094,075)
	147,593,728	**59,531,537**

The cost of inventories recognized as expense and included in cost of sales as of 31 December 2021 is amounting to TRY767,220,643 (31 December 2020: TRY436,889,683) (Note 19).

NOTE 8 - PREPAID EXPENSES AND DEFERRED INCOME

	31 December 2021	31 December 2020
Advances given	9,222,997	3,798,432
Prepaid expenses	2,475,764	1,189,390
	11,698,761	**4,987,822**

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

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

The movement table of tangible fixed assets and accumulated depreciation for the accounting period ending on 1 January - 31 December 2021 and 2020 is as follows:

	1 January 2021	Additions	Disposals	Transfers	31 December 2021
Cost:					
Land and land improvements	337,950	-	-	-	337,950
Buildings	25,478,522	147,159	-	-	25,625,681
Machinery and equipment	96,554,737	17,716,750	(1,136,813)	1,484,015	114,618,689
Motor vehicles	1,805,760	20,153	(17,566)	-	1,808,347
Furniture and fixtures	4,802,708	1,680,629	(1,030,707)	-	5,452,630
Construction in progress	3,739,920	3,263,997	-	(1,484,015)	5,519,902
	132,719,597	**22,828,688**	**(2,185,086)**	**-**	**153,363,199**
Less: Accumulated depreciation					
Buildings	(5,594,174)	(683,710)	-	-	(6,277,884)
Machinery and equipment	(53,664,064)	(11,551,387)	978,924	-	(64,236,527)
Motor vehicles	(1,161,905)	(208,540)	17,397	-	(1,353,048)
Furniture and fixtures	(3,080,050)	(652,699)	958,249	-	(2,774,500)
	(63,500,193)	**(13,096,336)**	**1,954,570**	**-**	**(74,641,959)**
Net book value	**69,219,404**				**78,721,240**

Main additions to machinery and equipment as of 31 December 2021 were related with investments in oven manufacturing facilities in production.

As of 31 December 2021, the Company does not have any pledges or mortgages (31 December 2020: None).

The distribution of depreciation and amortization expenses of tangible and intangible assets as of 31 December 2021 and 2020 is as follows:

	2021	2020
Cost of sales	12,123,397	8,876,273
Research and development expenses (Note 17)	3,259,995	2,078,733
General administrative expenses (Note 17)	430,625	418,111
Sales and marketing expenses (Note 17)	395	371
	15,814,412	**11,373,488**

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

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT (Continued)

	1 January 2020	Additions	Disposals	Transfers	31 December 2020
Cost:					
Land and land improvements	337,950	-	-	-	337,950
Buildings	25,345,355	133,167	-	-	25,478,522
Machinery and equipment	89,070,317	7,303,049	(218,264)	399,635	96,554,737
Motor vehicles	1,423,147	650,569	(267,956)	-	1,805,760
Furniture and fixtures	3,965,023	857,395	(19,710)	-	4,802,708
Construction in progress	1,949,200	2,190,355	-	(399,635)	3,739,920
	122,090,992	**11,134,535**	**(505,930)**	**-**	**132,719,597**
Less: Accumulated depreciation					
Buildings	(4,916,631)	(677,543)	-	-	(5,594,174)
Machinery and equipment	(44,957,355)	(8,922,990)	216,281	-	(53,664,064)
Motor vehicles	(1,135,805)	(165,173)	139,073	-	(1,161,905)
Furniture and fixtures	(2,616,919)	(463,131)	-	-	(3,080,050)
	(53,626,710)	**(10,228,837)**	**355,354**	**-**	**(63,500,193)**
Net book value	**68,464,282**				**69,219,404**

NOTE 10 - INTANGIBLE ASSETS

Movements in intangible assets for the period ended 1 January - 31 December 2021 are as follows:

	1 January 2021	Additions	Transfers	31 December 2021
Cost:				
Rights	2,822,517	176,700	-	2,999,217
Computer software	1,095,721	2,931	-	1,098,652
Development costs	12,046,519	-	4,624,755	16,671,274
Ongoing R&D projects	3,960,689	13,266,277	(4,624,755)	12,602,211
	19,925,446	**13,445,908**	**-**	**33,371,354**
Less: Accumulated depreciation				
Rights	(1,485,255)	(163,671)	-	(1,648,926)
Computer software	(524,355)	(57,087)	-	(581,442)
Development costs	(1,481,496)	(2,497,318)	-	(3,978,814)
	(3,491,106)	**(2,718,076)**	**-**	**(6,209,182)**
Net book value	**16,434,340**			**27,162,172**

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

NOTE 10 - INTANGIBLE ASSETS (Continued)

	1 January 2020	Additions	Transfers	31 December 2020
Cost:				
Rights	2,446,437	376,080	-	2,822,517
Computer software	1,074,864	20,857	-	1,095,721
Development costs	4,582,010	52,458	7,412,051	12,046,519
Ongoing R&D projects	3,867,104	7,505,636	(7,412,051)	3,960,689
	11,970,415	**7,955,031**	**-**	**19,925,446**
Less: Accumulated depreciation				
Rights	(1,392,192)	(93,063)	-	(1,485,255)
Computer software	(468,640)	(55,715)	-	(524,355)
Development costs	(485,623)	(995,873)	-	(1,481,496)
	(2,346,455)	**(1,144,651)**	**-**	**(3,491,106)**
Net book value	**9,623,960**			**16,434,340**

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

NOTE 11 - BORROWINGS AND BORROWING COSTS

	31 December 2021	31 December 2020
Short term borrowings	12,361,913	5,710,549
Short term portions of long term borrowings	9,688,315	14,276,713
Total short term borrowings	**22,050,228**	**19,987,262**
Long term borrowings	8,133,955	22,207,503
Total long term borrowings	**8,133,955**	**22,207,503**
Total borrowings	**30,184,183**	**42,194,765**

As of 31 December 2021, all borrowings are TRY denominated and the annual average effective interest rate of borrowings are between %12 to %22.58 (2020: %9.48 - %18.75).

The maturities of bank loans are as follows:

	31 December 2021	31 December 2020
Within 1 year	22,050,228	19,987,262
1 - 3 years	8,133,955	22,207,503
	30,184,183	**42,194,765**

The fair value of short-term and long-term borrowings is equal to its carrying amount as the effect of discounting is immaterial.

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

NOTE 12 - PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

a) Guarantees given:

	31 December 2021	31 December 2020
Letters of guarantee	1,393,012	1,291,712
	1,393,012	**1,291,712**

Colleterals, pledges and mortgages ("CPM") as of 31 December 2021 and 2020 are as follows;

	31 December 2021		31 December 2020	
	TRY	TRY equivalent	TRY	TRY equivalent
The CPM's given by the Company				
A. Total amount of CPM given for the Company's business	1,393,012	1,393,012	1,291,712	1,291,712
B. CPMs given on behalf of the fully consolidated companies	-	-	-	-
C. CPMs given for continuation of its economic activities on behalf of third parties	-	-	-	-
D) Other CPMs	-	-	-	-
E) Total amount of other CPMs given on behalf of;	-	-	-	-
i. the majority shareholder	-	-	-	
ii. the other Group companies which are not in scope of B and C	-	-	-	-
iii. third parties which are not in scope of C	-	-	-	-
	1,393,012	**1,393,012**	**1,291,712**	**1,291,712**
CPM's given/the Company's equity		%3		%2

b) Provisions:

Short Term Provisions	31 December 2021	31 December 2020
Provisions for litigations (*)	820,000	754,000
Total	**820,000**	**754,000**

(*) Provisions for litigations are related to the employee lawsuits.

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

NOTE 13 - EMPLOYMENT TERMINATION BENEFITS

a) Short term provisions for employment termination benefits:

	31 December 2021	31 December 2020
Provision for unused vacation	2,588,539	1,569,106
	2,588,539	**1,569,106**

b) Payables for employee benefits:

Payables to employees	4,491,016	3,013,840
Social security premiums	1,449,739	907,964
	5,940,755	**3,921,804**

c) Long term provisions for employment termination benefits

Provisions for employment termination benefits	10,189,734	5,615,417
	10,189,734	**5,615,417**

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

The amount payable consists of one month's salary limited to a maximum of TRY8,284.51 for each year of service as of 31 December 2021 (2020: TRY7,117.17). The liability is not funded, as there is no funding requirement. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees with certain actuarial assumptions.

The basic assumption is that the ceiling set for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected rate of actual inflation. As the provision for employment termination benefits has been issued every six months, the full ceiling amounting to TRY10,596.74 effective from 1 January 2022 (1 January 2021: TRY7,638.96) is calculated.

	31 December 2021	31 December 2020
Discount rate (%)	4.35	4.70
Probability of retirement (%)	94.22	92.60

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

NOTE 13 - EMPLOYMENT TERMINATION BENEFITS (Continued)

Movements of the provision for employment termination benefits during the years are as follows:

	2021	2020
1 January	**5,615,417**	**2,606,197**
Service cost	750,327	591,421
Interest cost	817,996	526,858
Actuarial loss	3,455,802	2,185,549
Paid during the year	(449,809)	(294,608)
31 December	**10,189,734**	**5,615,417**

NOTE 14 - OTHER ASSETS AND LIABILITIES

a) Other current assets:

	31 December 2021	31 December 2020
Deferred VAT	1,279,871	-
Personnel advances	118,015	102,772
Other	1,101	-
	1,398,987	**102,772**

b) Other current liabilities:

Taxes and charges payable	3,414,465	3,214,367
Other	627,180	23,054
	4,041,645	**3,237,421**

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

NOTE 15 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

The Company's paid-in capital as at 31 December 2021 and 31 December 2020 is as follows:

a) Capital

	31 December 2021		31 December 2020	
	Share (%)	**TRY**	**Share (%)**	**TRY**
İbrahim ATAY	24.00	10,800,865	24.54	11,040,865
Mehmet İlhan ATAY	6.67	3,000,000	6.67	3,000,000
Ali Rıza ÖZGÜR	4.26	1,915,461	4.26	1,915,461
Mustafa LAÇİN	6.53	2,936,200	6.53	2,936,200
Hüseyin ALIŞ	5.00	2,250,183	5.00	2,250,183
Eren ATAY	0.60	271,221	0.34	151,221
Anıl ÖZGÜR	3.11	1,398,790	3.11	1,398,790
Mehmet Namık ATAY	0.63	286,293	0.63	286,293
Ceyhan AYGÜL	0.04	15,878	0.04	15,878
Çınar ALIŞ	1.24	560,000	1.24	560,000
Ceren ATAY	0.62	277,858	0.35	157,858
Mert ATAY	0.64	286,293	0.63	286,293
Bora OYMAK	0.11	50,407	0.11	50,407
Publicly listed shares (*)	46.56	20,950,551	46.55	20,950,551
Paid in capital	**100**	**45,000,000**	**100**	**45,000,000**

(*) The publicly listed shares are traded on Borsa Istanbul A.Ş. (BIST).

Registered capital of the Company is TRY45,000,000 (31 December 2020: TRY45,000,000). Total 45,000,000 shares are divided into 7,661,843 units of Group A shares and 7,661,843 units of Group B shares, each share at nominal value of TRY 1.

The privileges provided to the owner of the privileged shares are as follows:

- The Board of Directors consists of at least 5 (five) persons to be elected by the general assembly among the candidates nominated by A Group shareholder or A Group shareholder.

- At the general assembly meetings, Group A shareholders have 15 (fifteen) votes for one share, and other shareholders have 1 (one) vote for one share.

Listed companies distribute dividend in accordance with the Communiqué No. II-19.1 issued by the CMB which is effective from 1 February 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communiqué does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation. In addition, dividend can be distributed by fixed or variable instalments and advance dividend can be paid in accordance with profit on year end financial statements of the Company.

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

NOTE 15 - SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (Continued)

In accordance with the Turkish Commercial Code (TCC), unless the required reserves and the dividend for shareholders as determined in the article of association or in the dividend distribution policy of the company are set aside, no decision may be made to set aside other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct right certificates, to the members of the board of directors or to the employees; and no dividend can be distributed to these persons unless the determined dividend for shareholders is paid in cash.

Restricted reserves

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

NOTE 16 - REVENUE AND COST OF SALES

a) Revenue

Sales Revenues (net)	**1 January - 31 December 2021**	**1 January - 31 December 2020**
Domestic sales revenues	971,559,310	553,547,002
License revenues	6,991,170	6,482,313
Foreign sales revenues	305,692	627,135
Other sales	292,220	59,002
Gross sales	**979,148,392**	**560,715,452**
Sales returns (-)	(1,700,893)	(1,848,814)
Net sales	**977,447,499**	**558,866,638**
Cost of sales	(887,619,992)	(519,484,478)
Gross Profit/(Loss)	**89,827,507**	**39,382,160**

In 2021, the Company has recognised 96% of its revenues through sales to its related party, Silverline Ev Gereçleri Satış ve Pazarlama A.Ş. (2020: 97%).

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

NOTE 17 - GENERAL ADMINISTRATIVE EXPENSES, MARKETING EXPENSES AND RESEARCH AND DEVELOPMENT EXPENSES

i. General administration expenses:

	1 January - 31 December 2021	1 January - 31 December 2020
Outsourcing expenses	9,389,142	6,994,413
Personnel expenses	4,512,008	4,044,238
Consulting expenses	2,142,022	1,049,752
Cleaning expenses	1,366,738	1,112,889
Security expenses	1,068,552	865,158
Representation expenses	518,681	316,527
Depreciation and amortization expenses	430,625	418,111
Electricity and natural gas expenses	318,217	204,646
Maintenance and repair expenses	101,822	73,366
IT expenses	66,323	310,461
Other	1,665,457	1,212,936
	21,579,588	**16,602,497**

ii. Marketing expenses:

Customer service expenses	3,583,889	239,185
Advertising and promotion expenses	28,579	28,579
Outsourcing expenses	12,514	10,686
Depreciation and amortization expenses	395	371
	3,625,377	**278,821**

iii. Research and development expenses:

Sampling expenses	3,672,300	1,535,571
Depreciation and amortization expenses	3,259,995	2,078,733
Personnel expenses	1,087,469	1,033,750
Analysis expenses	882,830	615,058
Travel expenses	51,893	49,653
Other	750,727	448,003
	9,705,214	**5,760,768**

Fees for Services Obtained from Independent Auditor/Independent Audit Firm

The Company's explanation regarding the fees for services rendered by independent audit firms, which is prepared by the KGK pursuant to the Board Decision published in the Official Gazette on March 30, 2021, and the preparation principles of which are based on the KGK letter dated August 19, 2021 are as follows:

	31 December 2021	31 December 2020
Independent audit fee for the reporting period	320,000	145,000
	320,000	**145,000**

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

NOTE 18 - OTHER OPERATING INCOME AND EXPENSES

i. Other operating income:

	1 January - 31 December 2021	1 January - 31 December 2020
Foreign exchange gain	89,857,725	48,423,412
Unearned financial income	58,783,277	24,337,380
Provisions no longer required	-	366,725
Other	3,125,463	3,262,768
	151,766,465	**76,390,285**

ii. Other operating expenses:

Foreign exchange loss	153,983,738	49,783,291
Unearned financial expenses	54,288,714	23,062,127
Other	114,743	76,513
	208,387,195	**72,921,931**

NOTE 19 - EXPENSES BY NATURE

	1 January - 31 December 2021	1 January - 31 December 2020
Raw materials expenses	744,574,153	425,055,595
Personnel expenses	81,003,735	54,668,262
Trade goods expenses	22,646,490	11,834,088
Outsourcing expenses	21,195,251	15,893,540
Depreciation and amortization expenses	15,814,412	11,373,488
Electricity and natural gas expenses	6,602,225	4,080,103
Pattern expenses	3,672,300	1,535,571
Customer service expenses	3,583,889	239,185
Maintenance and repair expenses	3,573,695	2,170,820
Consulting expenses	2,648,473	1,314,896
Cleaning expenses	1,366,738	1,112,889
Analysis expenses	1,068,552	615,058
Security expenses	882,830	865,158
Representation expenses	610,687	373,399
Travel expenses	84,317	102,330
IT expenses	66,323	310,461
Advertising and promotion expenses	28,579	28,579
Other	13,107,522	10,553,142
	922,530,171	**542,126,564**

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

NOTE 20 - FINANCIAL INCOME AND EXPENSES

i. Financial income:

	1 January - 31 December 2021	1 January - 31 December 2020
Foreign exchange gain	883,912	148,929
Interest income	12,526	10,819
	896,438	**159,748**

ii. Financial expenses:

Foreign exchange loss	6,517,065	6,154,423
Interest expense	6,030,703	7,118,001
Other	291,596	196,450
	12,839,364	**13,468,874**

NOTE 21 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

Tax Expense

	1 January - 31 December 2021	1 January- 31 December 2020
Current income tax	-	-
Deferred income tax	5,682,663	1,796,331
Total	**5,682,663**	**1,796,331**

Corporation tax is payable at a rate of 25% for 2021. (2020: 22%) on the total income of the Company after adjusting for certain disallowable expenses, exempt income (exemption for participation in subsidiaries, exemption for investment incentive allowance etc.) and allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed.

Dividends paid to non-resident corporations, which have a place of business in Turkey, or resident corporations are not subject to withholding tax. Otherwise, dividends paid are subject to withholding tax at the rate of 15% (31 December 2020: 15%). An increase in capital via issuing bonus shares is not considered as a profit distribution and thus does not incur withholding tax.

Corporations are required to pay advance corporation tax quarterly at the rate of 25% (2020: 22%) on their corporate income. Advance tax is declared by 14th and payable by the 17th of the second month following each calendar quarter end (2020: 17th). Advance tax paid by corporations is credited against the annual corporation tax liability. If, despite offsetting, there remains an amount for advance tax amount paid, it may be refunded or offset against other liabilities to the government.

NOTE 21 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

In Turkey, there is no procedure for a final and definitive agreement on tax assessments. Companies file their tax returns within the 25th of the fourth month following the close of the financial year to which they relate. Tax returns are open for 5 years from the beginning of the year that follows the date of filing, during which time the tax authorities have the right to examine tax returns, and the related accounting records on which they are based and may issue re-assessments based on their findings.

Tax returns are open for 5 years from the beginning of the year that follows the date of filing, during when the tax authorities have the right to examine tax returns, and the related accounting records on which they are based and may issue re-assessments based on their findings.

Transfer pricing

Corporations should set the prices in accordance with the arm's length principle while entering into transactions regarding the sale or purchase of goods and services with related parties. Under the arm's length principle within the new legislation related parties must set the transfer prices for purchase and sale of goods and services as if they would have been agreed between third parties. Depending on the circumstances, a choice of accepted methods in aforementioned law of arm's length transaction has to be made by corporations for transactions with related parties. Corporations should keep the documentary evidence within the company representing how arm's length price has been determined and the methodology that has been chosen by use of any fiscal records and calculations in case of any request by tax authorities. Besides, corporations must report transactions with related parties in a fiscal period.

If a taxpayer enters into transactions regarding the sale or purchase of goods and services with related parties, where the prices are not set in accordance with the arm's length principle, then related profits are considered to be distributed in a disguised manner through transfer pricing. The profit distributed in a disguised manner through transfer pricing completely or partially in the last day of the fiscal period when the circumstances defined in the 13th article occurred , will be assessed as distributed profit share or transferred amount to headquarter for limited taxpayers. After the distributed profit share is considered as net profit share and complemented to gross amount, deemed profit will be subject to corporate tax. Previous taxation processes will be revised accordingly by taxpayer who distributes disguised profit. In order to adjust in this respect, the taxes assessed in the name of the company distributing dividends in a disguised manner must be finalized and paid.

(Amount expressed in Turkish Lira (“TRY”) unless otherwise indicated.)

NOTE 21 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

In addition to the above exceptions, exceptions in Article 40 of the Income Tax Law and Articles 8 and 10 of the Corporate Tax Law are also taken into account in determination of the income for current tax calculation.

Reconciliation of tax expense using the current year tax expense in the statement of income for the year ended 31 December 2021 and 2020 are as follows:

	31 December 2021	**31 December 2020**
Profit before tax	(13,724,238)	9,133,024
Tax rate	%25	%22
Expected tax expense:	3,431,060	(2,009,265)
Expenses not deductible for tax purposes	(242,180)	(54,345)
Limitation on financial expenses deductibility	(1,605,572)	-
Utilization of tax losses for which no deferred tax has been recognized	-	1,642,337
R&D incentives	4,353,698	1,821,934
Other	(254,343)	395,670
Toplam	**5,682,663**	**1,796,331**

Deferred tax:

The Company recognizes deferred income tax assets and liabilities based upon temporary differences arising between its financial statements are reported in accordance with the TFRS Financial Reporting Standards and its tax purpose financial statements.

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

The breakdown of cumulative temporary differences and the resulting deferred income tax assets and liabilities provided at 31 December 2021 and 31 December 2020 using the enacted tax rates are as follows:

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

NOTE 21 - INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (Continued)

	Taxable temporary differences		Deferred tax assets/ (liabilities)	
Deferred tax assets	**31 December 2021**	**31 December 2020**	**31 December 2021**	**31 December 2020**
Unused R&D Advantages	(14,821,082)	(5,224,881)	3,705,271	1,149,474
Provision for employment termination benefits	(10,189,734)	(5,615,417)	2,729,107	1,123,083
Unearned financial income	(9,308,912)	(4,817,485)	2,327,228	963,497
Inventories	(6,128,969)	(4,444,228)	1,532,242	888,846
Unused vacations	(2,588,539)	(1,569,106)	647,135	313,821
Provision for litigation	(820,000)	(754,000)	205,000	150,800
Other	(5,529,898)	(2,285,549)	1,372,326	457,110
Total	**(49,387,134)**	**(24,710,666)**	**12,518,309**	**5,046,631**
Deferred tax liabilities				
Property, plant and equipment	7,886,477	5,628,020	(1,577,295)	(1,125,604)
Unearned financial expense	4,051,284	1,833,281	(1,012,821)	(366,656)
Total	**11,937,761**	**7,461,301**	**(2,590,116)**	**(1,492,260)**
Deferred income tax assets- net			**9,928,193**	**3,554,371**

The movements of deferred tax assets as of 2021 and 2020 are as follow:

	2021	**2020**
1 January	**3,554,371**	**1,320,930**
Charge to statement of income	5,682,663	1,796,331
Defined benefit plans remeasurement gains/losses	691,161	437,110
31 December	**9,928,193**	**3,554,371**

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

NOTE 22 - EARNINGS PER SHARE

	1 January - 31 December 2021	1 January - 31 December 2020
Net profit/(loss) for the year	(8,041,575)	10,929,355
Weighted average number of shares	45,000,000	45,000,000
Earnings/(loss) per share calculated from distributable profit of the Company	**(0,179)**	**0,243**

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS

a) Capital risk management

In managing capital, The Company's objective is to safeguard the Company's ability to continue providing returns for shareholders and benefits for other stakeholders and maintaining an optimal capital structure to reduce the cost of capital. In order to maintain or reorganize the capital structure, the Company may change the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, and sell assets to reduce borrowing.

Consistent with others in the industry, the Company monitors capital on the basis of the debt/capital ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings, as shown in the balance sheet, less cash and cash equivalents.

The net debt/total equity ratio as of 31 December 2021 and 2020 is as follows:

	31 December 2021	31 December 2020
Total liabilities	407,457,013	223,756,838
Less: cash and cash equivalents	(8,301,273)	(4,156,778)
Net debt	**399,155,740**	**219,600,060**
Total equity	**42,024,603**	**52,830.820**
Net debt/equity ratio	**%9.50**	**%4.16**

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

b) Financial Risk Factors

Company activities are exposed to the risk of liquidity risk (credit risk, interest rate risk, cash flow risk and interest rate risk), credit risk and liquidity risk. The company's risk management program is broadly focused on minimizing uncertainty in financial markets, potentially minimizing the Company's financial performance.

Credit risk management

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements and in turn credit risk arises from cash and cash equivalents, deposits in banks and financial institutions, as well as credit exposures to customers, including outstanding receivables and committed transactions. Risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. These risks are monitored by credit ratings and limiting the aggregate risk to any individual counter party and receiving guarantees when required. The credit risk is generally highly diversified due to the large number of entities comprising the ultimate customer bases and their dispersion across different industries.

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

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

		Receivables				
		Trade receivables		Other receivables		
31 December 2021		**Related Parties**	**Other Parties**	**Related Parties**	**Other Parties**	**Banks deposits**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D)		**181,857,424**	**206,677**	**-**	**252,453**	**8,299,915**
-	**The part of maximum credit risk covered with guarantees**	-	-	-	-	-
A.	Net book value of financial assets not due or not impaired	181,857,424	206,677	-	252,453	8,299,915
B.	Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired	-	-	-	-	-
C.	Net book value of assets past due but not impaired	-	-	-	-	-
	- The part covered by guarantees etc.	-	-	-	-	-
D.	Net book value of assets impaired	-	-	-	-	-
	- Past due (gross book value)	-	223,765	-	-	-
	- Impairment (-)	-	(223,765)	-	-	-
E.	Off-balance items exposed to credit risk	-	-	-	-	-

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

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

		Receivables				
		Trade receivables		Other receivables		
31 December 2020		**Related Parties**	**Other Parties**	**Related Parties**	**Other Parties**	**Banks deposits**
Maximum amount of credit risk exposed as of reporting date (A+B+C+D)		**125,490,213**	**4,148,525**	**-**	**136,562**	**4,153,440**
-	**The part of maximum credit risk covered with guarantees**	**-**	**-**	**-**	**-**	**-**
A.	Net book value of financial assets not due or not impaired	125,490,213	4,148,525	-	136,562	4,153,440
B.	Net book value of financial assets whose conditions are renegotiated, otherwise will be classified as past due or impaired	-	-	-	-	-
C.	Net book value of assets past due but not impaired	-	-	-	-	-
	- The part covered by guarantees etc.	-	-	-	-	-
D.	Net book value of assets impaired	-	-	-	-	-
	- Past due (gross book value)	-	223,765	-	-	-
	- Impairment (-)	-	(223,765)	-	-	-
E.	Off-balance items exposed to credit risk	-	-	-	-	-

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

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

Market risk management

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

Foreign currency risk management

The Company is exposed to exchange rate risk due to its foreign currency denominated transactions. The main principle of foreign currency risk management is to maintain foreign exchange position at the level that minimizes the impact of foreign exchange fluctuations.

The TRY equivalent of the foreign currency risk the Company is exposed to as of 31 December 2021 and 2020 is summarized in the table below:

31 December 2021

	TRY Equivalent	**USD**	**EUR**	**Other**
1. Trade receivables	45,992	641	2,482	-
2.a. Monetary financial assets	8,198,052	260,385	313,347	-
2.b. Non-monetary financial assets	-	-	-	-
3. Other	7,806,585	263,379	281,490	50,787
4. Current assets (1+2+3)	**16,052,162**	**524,405**	**597,319**	**50,787**
5. Other non-monetary financial assets	-	-	-	-
6. Other	-	-	-	-
7. Non-current assets (5+6)	**-**	**-**	**-**	**-**
8. Total assets (4+7)	**16,052,162**	**524,405**	**597,319**	**50,787**
9. Trade payables	(203,386,191)	(9,228,992)	(5,303,162)	-
10. Financial liabilities	-	-	-	-
11. Other non-monetary liabilities	-	-	-	-
12. Short-term liabilities	**(203,386,191)**	**(9,228,992)**	**(5,303,162)**	**-**
13. Financial liabilities	-	-	-	-
14. Long-term liabilities	**-**	**-**	**-**	**-**
15. Total liabilities (12+14)	**(203,386,191)**	**(9,228,992)**	**(5,303,162)**	**-**
16. Net foreign currency asset/(liability) position (8-15)	**(187,334,029)**	**(8,704,587)**	**(4,705,843)**	**50,787**
17. Monetary items net foreign currency asset/(liability) position	**(187,334,029)**	**(8,704,587)**	**(4,705,843)**	**50,787**

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

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

31 December 2020

	TRY Equivalent	USD	EUR	Other
1. Trade receivables	157,182	21,413	-	-
2.a. Monetary financial assets	4,099,687	1,630	453,793	-
2.b. Non-monetary financial assets	-	-	-	-
3. Other	3,378,708	230,842	186,724	2,219
4. Current assets (1+2+3)	**7,635,577**	**253,885**	**640,517**	**2,219**
5. Other non-monetary financial assets	-	-	-	-
6. Other	-	-	-	-
7. Non-current assets (5+6)	**-**	**-**	**-**	**-**
8. Total assets (4+7)	**7,635,577**	**253,885**	**640,517**	**2,219**
9. Trade payables	(76,866,032)	(6,378,170)	(3,335,636)	-
10. Financial liabilities	-	-	-	-
11. Other non-monetary liabilities	-	-	-	-
12. Short-term liabilities	**(76,866,032)**	**(6,378,170)**	**(3,335,636)**	**-**
13. Financial liabilities	-	-	-	-
14. Long-term liabilities	**-**	**-**	**-**	**-**
15. Total liabilities (12+14)	**(76,866,032)**	**(6,378,170)**	**(3,335,636)**	**-**
16. Net foreign currency asset/(liability) position (8-15)	**(69,230,455)**	**(6,124,285)**	**(2,695,119)**	**2,219**
17. Monetary items net foreign currency asset/(liability) position	**(69,230,455)**	**(6,124,285)**	**(2,695,119)**	**2,219**

The Company is exposed to foreign Exchange risk both USD and EUR.

The table below shows the Company's sensitivity to a 20% increase and decrease in the US Dollar and Euro currencies.

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

	31 December 2021			
	Profit/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 20% against TRY				
1- Asset/liability denominated in USD	(23,204,688)	23,204,688	(23,204,688)	23,204,688
2- The part of USD risk hedged (-)	-	-	-	-
3- USD Effect - net (1+2)	**(23,204,688)**	**23,204,688**	**(23,204,688)**	**23,204,688**
Change of EUR by 20% against TRY				
4- Asset/liability denominated in EUR	(14,199,125)	14,199,125	(14,199,125)	14,199,125
5- The part of EUR risk hedged (-)	-	-	-	-
6- EUR Effect - net (3+4)	**(14,199,125)**	**14,199,125**	**(14,199,125)**	**14,199,125**
Change of other by 20% against TRY				
7- Asset/liability denominated in other	10,157	(10,157)	10,157	(10,157)
8- The part of other risk hedged (-)	-	-	-	-
Total (3+6+9)	**(37,393,656)**	**37,393,656**	**(37,393,656)**	**37,393,656**

	31 December 2020			
	Profit/(Loss)		Equity	
	Appreciation of foreign currency	Depreciation of foreign currency	Appreciation of foreign currency	Depreciation of foreign currency
Change of USD by 20% against TRY				
1- Asset/liability denominated in USD	(8,991,062)	8,991,062	(8,991,062)	8,991,062
2- The part of USD risk hedged (-)	-	-	-	-
3- USD Effect - net (1+2)	**(8,991,062)**	**8,991,062**	**(8,991,062)**	**8,991,062**
Change of EUR by 20% against TRY				
4- Asset/liability denominated in EUR	(4,855,472)	4,855,472	(4,855,472)	4,855,472
5- The part of EUR risk hedged (-)	-	-	-	-
6- EUR Effect - net (3+4)	**(4,855,472)**	**4,855,472**	**(4,855,472)**	**4,855,472**
Change of other by 20% against TRY				
7- Asset/liability denominated in other	444	(444)	444	(444)
8- The part of other risk hedged (-)	-	-	-	-
Total (3+6+9)	**(13,846,090)**	**13,846,090**	**(13,846,090)**	**13,846,090**

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

NOTE 23 - NATURE AND LEVEL OF RISKS DERIVING FROM FINANCIAL INSTRUMENTS (Continued)

Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying businesses, existing and prospective debt requirements, Company treasury aims to maintain flexibility in funding by keeping available bank lines. The ability to fund the existing and prospective debt requirements is managed by maintaining the availability of adequate committed funding lines from high quality lenders. In addition, the Company's liquidity management policy involves projecting cash flows, considering the level of liquid asset, monitoring balance sheet liquidity ratios against the budgets, maintaining debt financing plans.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	31 December 2021				
	Carrying value	**Total cash outflows (=I+II+III)**	**Less than 3 months (I)**	**3 - 12 months (II)**	**1 - 5 years (III)**
Contractual maturity dates:					
Bank borrowings	30,184,183	33,414,179	8,533,005	15,556,733	9,324,441
Trade payables	371,173,047	375,224,330	308,302,887	66,921,443	-
	401,357,230	**408,638,509**	**316,835,892**	**82,478,176**	**9,324,441**

	31 December 2020				
	Carrying value	**Total cash outflows (=I+II+III)**	**Less than 3 months (I)**	**3 - 12 months (II)**	**1 - 5 years (III)**
Contractual maturity dates:					
Bank borrowings	42,194,765	46,479,887	8,699,909	15,572,475	22,207,503
Trade payables	177,522,796	179,356,077	146,869,630	32,486,447	-
	219,717,561	**225,835,964**	**155,569,539**	**48,058,922**	**22,207,503**

NOTE 24 - SUBSEQUENT EVENTS

The law on amending the Tax Procedure Law and the Corporate Tax Law was enacted on January 20, 2022, It has been enacted with the number 7352 and it has been decided that the financial statements will not be subject to inflation adjustment in the 2021 and 2022 accounting periods, including the temporary accounting periods, and in the provisional tax periods of the 2023 accounting period, regardless of whether the conditions for the inflation adjustment within the scope of the repeated Article 298 are met. POA made a declaration on the Implementation of Financial Reporting in High Inflation Economies under TFRS on January 20, 2022, and it was stated that there was no need to make any adjustments within the scope of TAS 29 Financial Reporting in Hyperinflationary Economies in the financial statements for 2021.

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