(Convenience Translation of the Independent Auditors' Report and Consolidated Financial Statements Originally Issued in Turkish)

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

1 JANUARY- 31 DECEMBER 2022 CONSOLIDATED FINANCIAL STATEMENTS TOGETHER WITH THE INDEPENDENT AUDITORS' REPORT

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FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ
INDEPENDENT AUDITOR'S REPORT
AS OF 1 JANUARY -31 DECEMBER 2022 PERIOD

To the General Assembly of
FONET BILGI TEKNOLOJILERI ANONIM ŞIRKETI

Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Fonet Bilgi Teknolojileri Anonim Şirketi (the "Company") and its subsidiary (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2022 and the consolidated statement of profit or loss, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2022, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

Basis for Opinion

Our audit was conducted in accordance with the independent auditing standards published by the Capital Markets Board ("CMB") and Standards on Independent Auditing (the "SIA") that are part of Turkish Standards on Auditing issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

1) Key Audit Matters

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

According to us, the issues described below are identified as key audit matters and are reported in our report:

Key Audit Matters	How our audit addressed the Key Audit Matter
Revenue recognition	
When the Group fulfills (or brings) the obligation to perform by transferring a committed goods or service to its customer, the revenue is included in the financial statements. The majority of the group's revenue consists of sales of Fonet HBYS software and sales of services and hardware products related to the sale. Due to the nature of the operations of the Group, there is a risk of not separating the amounts corresponding to the periods by evaluating the services it sells and collects throughout the contract. Based on the above-mentioned explanations, in accordance with the periodicity principle of sales, it is determined as the key audit subject whether the revenue of contractual services in this case is recorded in the correct period. Explanations regarding the Group's revenue-related accounting policies and amounts are included in Note 2 and Note 20.	In our audit, the following procedures have been followed to record revenue accurately and accurately: - The revenue process of the Group and the design and implementation of the controls designed by the management in this process were examined. Assurance work was carried out for general controls of both operational and financial information systems applications in the process. - Contracts with customers were examined and the effects of contract items on revenue were evaluated. The terms of the contracts are determined. - Within the scope of the audit works, service sales data and records were tested on a sample basis. In addition, the procedures for the relevant account correlation and analysis were applied using the material verification procedures and data analytics tools on revenue. - In order to test the integrity and accuracy of the data used in these studies, the data obtained from accounting systems and collection information were compared.

Key Audit Matters	How our audit addressed the Key Audit Matter
Recoverability of trade receivables	
As of 31 December 2022, total trade receivables amounting to TL 100.785.391 constitute an important part of financial statements. In determining the provision for impairment calculated for trade receivables, factors such as the ability of the debtor to pay, the data regarding the receivables that were not collected in previous periods, the extraordinary conditions arising in the current sector and the current economic environment, the guarantees received from the customers, the payment performances of the customers and the maturity analysis of the receivables are taken into consideration and estimates made according to these studies are accounted for.	Our audit procedures in this area include the following. - The process regarding the collection follow-up of the Group's trade receivables was analyzed, and the design and operational effectiveness of the internal controls for credit risk were tested in the process. - Aging study of receivables was analyzed analytically, and the collection turnover rate was compared with the previous period.

1) **Key Audit Matters (Continued)**

Key Audit Matters	**How our audit addressed the Key Audit Matter**
Recoverability of trade receivables (Continued)	
In this context, this issue was identified as one of the key audit matters, since the determination of the amount of impairment allowance for trade receivables includes significant level of management judgment and assumptions. Explanations regarding the Group's trade receivables accounting policies and amounts are included in Note 2 and Note 8.	- For the trade receivables, the letters of reconciliation were sent, and the existence of the receivable and the accuracy of the balances were tested.
Key Audit Matters	**How our audit addressed the Key Audit Matter**

Test of intangible assets capitalized within the enterprise	
Development Costs In the Group's consolidated financial statements as of 31 December 2022, the net book value of development costs is TL 80.486.213 TL, constituting 28% of the total assets. There are capitalized development costs in the amount of TL 28.401.746 in 2022 (31 December 2021: 18.527.706 TL). The Group takes into account the explanations in TAS 38 "Intangible Assets" standard and Note 2 in capitalizing the costs incurred in relation to development costs. For the projects that the Group has completed its feasibility studies and believes will provide cash flow in the future; it activates the costs related to the personnel of the employees related to the software development processes and the costs of consultancies received from this scope within the scope of the development activities. Activation is done by calculating according to the rates determined within the framework of the estimates and assumptions made by the management and project managers and the time when the personnel works on the development activities. Plan capitalization calculations as a key audit matter, as the financial statements are significant and include management's estimates about it. Explanations regarding the Group's intangible assets accounting policies and amounts are included in Note 2 and Note 13.	The following procedures have been applied for the control of development costs. - It was understood how the criteria in TAS 38 Intangible Assets‖ were met by discussing with the group management. Details of the projects and details of the feasibility studies of the future economic benefits of the project were understood by interviewing the project managers. - Project-based costs related to capitalized costs were detailed and controlled by the movement table of intangible assets. - For the testing of personnel costs associated with the projects, each project was broken down on the basis of staff and capitalized costs, verifying the staff with their payrolls. - The personnel subject to the activation were selected by sampling method and interviews were made and the development activities they realized within the scope of the projects they were involved in were understood. - Regarding external consultancy, the contents of the consultancy received were understood and detailed tests were carried out regarding their amounts.

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

The Group management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with TFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Responsibilities of independent auditors in an independent audit are as follows:

Our aim is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an independent auditor's report that includes our opinion. Reasonable assurance expressed as a result of an independent audit conducted in accordance with SIA is a high level of assurance but does not guarantee that a material misstatement will always be detected. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

We use our professional judgment and maintain our professional skepticism throughout the independent audit as a requirement of the independent audit conducted in accordance with the independent auditing standards published by the CMB and the SIA. We also:

- Identify and assess the risks of material misstatement in the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements (Continued)

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

We provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Other Responsibilities Arising from Regulatory Requirements

No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2022 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

In accordance with subparagraph 4 of Article 402 of the TCC, the Board of Directors submitted the necessary explanations to us and provided the documents required within the context of our audit.

The name of the engagement partner who supervised and concluded this audit is Nazım Hikmet.

İstanbul, 13 March 2023

Eren Bağımsız Denetim A.Ş.
A member firm of Grant Thornton International

Nazım Hikmet
Partner

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

	Notes	Current Period Audited Consolidated 31 December 2022	Prior Year Audited Consolidated 31 December 2021
ASSETS			
Current assets			
Cash and cash equivalents	5	22.308.909	12.526.812
Financial Investments	7	1.634.441	--
Trade receivables			
-Trade receivables from third parties	8	*88.293.058*	*42.608.057*
Other receivables			
- Other receivables from third parties	9	*244.322*	*155.906*
Inventories	10	1.360.619	529.110
Prepaid expenses	11	5.774.188	1.421.694
Current income tax assets	26	--	485
Other current assets	18	38.709	185.490
Total current assets		**119.654.246**	**57.427.554**
Non-current assets			
Trade receivables			
- Trade receivables from third parties	8	*12.492.333*	*33.106.962*
Other receivables			
- Other receivables from third parties	9	*35.500*	*35.500*
Property, plant and equipment	12	4.342.809	4.384.780
Right of use assets	13	143.290.447	92.029.541
Intangible assets	14	1.474.550	1.148.085
Prepaid expenses	11	--	531.053
Deferred tax assets	26	2.868.384	2.241.902
Total non-current assets		**164.504.023**	**133.477.823**
Total assets		**284.158.269**	**190.905.377**

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

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

	Notes	Current Period Audited Consolidated 31 December 2022	Prior Year Audited Consolidated 31 December 2021
LIABILITIES			
Current liabilities			
Short-term borrowings			
- Bank borrowings	6	--	*1.414.258*
- Lease liabilities	6	*606.245*	*612.278*
- Other financial liabilities	6	1.405.078	*713.815*
Trade payables			
- Trade payables to third parties	*8*	2.121.026	*2.571.937*
Employee benefit obligations	17	9.424.727	3.702.658
Other payables			
- Other payables to related parties	25	--	*11.690*
- Other payables to third parties	*9*	*1.545.755*	*508.216*
Deferred income	11	59.133.448	10.344.000
Short term provisions			
- Short term provisions for employee benefits	17	*651.212*	*356.730*
- Other short-term provisions	16	*1.146.325*	*659.820*
Other current liabilities	18	83.910	253.059
Total current liabilities		**76.117.726**	**21.148.461**
Non-current liabilities			
Long-term borrowings			
- Lease liabilities	6	*789.936*	*859.667*
Deferred income	11	12.492.333	33.109.239
Long-term provisions			
- Long term provisions for employee benefits	17	*4.648.626*	*1.748.561*
Deferred tax liabilities	26	3.162.448	1.938.572
Total non-current liabilities		**21.093.343**	**37.656.039**
Equity			
Paid- in capital	19	40.000.000	40.000.000
Accumulated other comprehensive income / expense not to be reclassified to profit or loss			
- Gain/loss arising from defined benefit plans	19	*(2.149.148)*	*(630.511)*
Restricted reserves			
- Legal reserves	19	6.532.041	*3.410.180*
Retained earnings		86.199.347	51.777.931
Net profit for the period		56.364.960	37.543.277
Non-controlling interest		--	--
Total equity		**186.947.200**	**132.100.877**
Total liabilities and equity		**284.158.269**	**190.905.377**

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ
(Convenience Translation of Consolidated Financial Statements Originally Issued in Turkish)
Consolidated Statements of Profit or Loss and Other Comprehensive Income
for the Year Ended 31 December 2022
(Amounts expressed in Turkish Lira ("TL") unless otherwise indicated.)

	Notes	Current Period Audited Consolidated 1 January – 31 December 2022	Prior Year Audited Consolidated 1 January – 31 December 2021
Net Sales	20	128.168.314	85.479.632
Cost of sales (-)	20	(65.144.484)	(44.140.819)
Gross profit		**63.023.830**	**41.338.813**
General administrative expenses (-)	21	(13.299.856)	(7.850.486)
Marketing expenses (-)	21	(2.404.497)	(856.450)
Research and development expenses (-)	21	(184.324)	(419.053)
Other operating income	22	7.970.514	3.848.699
Other operating expense (-)	22	(1.447.164)	(1.390.966)
Operating profit		**53.658.503**	**34.670.557**
Income from investing activities	23	1.019.158	1.075.351
Expense from investing activities (-)	23	--	(877)
Operating income before financial income / (expense)		**54.677.661**	**35.745.031**
Financial income	24	2.920.368	1.734.457
Financial expenses (-)	24	(940.498)	(525.477)
Profit before tax from continuing operations		**56.657.531**	**36.954.011**
Tax income / (expense) from continuing operations			
- Deferred tax (expense) / income	*26*	*(292.571)*	*589.266*
Profit for the period		**56.364.960**	**37.543.277**
Distribution of income for the period attributable to:			
Non-controlling interests		-	--
Equity holders of the parent		56.364.960	37.543.277
Earnings per share (kr)	**27**	**1,41**	**0,94**
Other comprehensive Income:			
Items not to be reclassified to profit or loss			
- Gain/loss arising from defined benefit plans		*(1.823.460)*	*(80.543)*
- Tax effect of gain/ loss arising from defined benefit plans		*304.823*	*13.424*
Other comprehensive income/ (loss)		**(1.518.637)**	**(67.119)**
Total comprehensive income		**54.846.323**	**37.476.158**
Distribution of total comprehensive income attributable to:			
Non-controlling interests		--	--
Equity holders of the parent		54.846.323	37.476.158
EBITDA	28	**57.702.470**	**40.746.260**
EBITDA Margin	28	**45,02**	**47,67**

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ
(Convenience Translation of Consolidated Financial Statements Originally Issued in Turkish)
Consolidated Statements of Changes in Shareholders' Equity for the Year Ended 31 December 2022

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

				Other Comprehensive Income or Expense not to be Reclassified to Profit or Loss		Accumulated profit				
	Note	Paid-in Capital	Share Premium	Gain/ Loss Arising from Defined Benefit Plans	Restricted Reserves	Retained Earnings	Net Profit	Restricted Reserves	Non-Controlling Interests	Total
Balance at 1 January 2021	**19**	**40.000.000**	**--**	**(563.392)**	**2.281.006**	**25.415.086**	**27.738.975**	**94.871.675**	**--**	**94.871.675**
Transfers		--	--	--	1.129.174	26.609.801	(27.738.975)	---	--	---
Net profit		--	--	--	--	--	37.543.277	37.543.277	--	37.543.277
Other comprehensive income		--	--	(67.119)	--	(246.956)	--	(314.075)	--	(314.075)
Balance as of 31 December 2021	**19**	**40.000.000**	**--**	**(630.511)**	**3.410.180**	**51.777.931**	**37.543.277**	**132.100.877**	**--**	**132.100.877**
Balance at 1 January 2022	**19**	**40.000.000**	**--**	**(630.511)**	**3.410.180**	**51.777.931**	**37.543.277**	**132.100.877**	**--**	**132.100.877**
Transfers		--	--	--	2.142.591	35.400.686	(37.543.277)	--	--	--
Net profit		--	--	--	--	--	56.364.960	56.364.960	--	56.364.960
Other comprehensive income		--	--	(1.518.637)	--	--		(1.518.637)	--	(1.518.637)
R&D special funds		--	--	--	979.270	(979.270)		--	--	--
Balance as of 31 December 2022	**19**	**40.000.000**	**--**	**(2.149.148)**	**6.532.041**	**86.199.347**	**56.364.960**	**186.947.200**	**--**	**186.947.200**

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ
(Convenience Translation of Consolidated Financial Statements Originally Issued in Turkish)
Consolidated Statements of Cash Flows for the Year Ended 31 December 2022

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

	Notes	01 January – 31 December 2022	01 January – 31 December 2021
A. Cash flows from operating activities:			
Profit from continuing operations:		**56.359.102**	**37.543.277**
Adjustments to reconcile profit / (loss)			
Adjustments for depreciation and amortization expense	28	10.567.317	8.533.436
Adjustments for provisions related to employee benefits	17	2.285.556	692.715
Adjustment for deferred financing income	22	(135.970)	(7.168)
Adjustment for deferred financing income	22	70	787.057
Adjustments for warranty provisions	16	486.505	230.645
Adjustments for impairment loss	8	31.171	150.222
Adjustments for interest expense	24	(2.355)	72.405
Other adjustments to reconcile profit (loss)	11	--	(246.956)
Adjustments for tax (income)/ expense	26	292.571	(589.266)
Adjustments for Working Capital			
Adjustments for decrease (increase) in trade receivables	8	(25.101.613)	(59.341.928)
Adjustments for decrease (increase) in other receivables	9	(3.909.372)	(238.117)
Adjustments for decrease (increase) in inventories	10	(831.509)	764.700
Adjustments for increase (decrease) in trade payables	8	(314.941)	1.577.447
Adjustments for decrease (increase) in other payables	9	1.025.849	(1.344.686)
Increase (decrease) in employee benefit liabilities	17	5.722.069	907.345
Change in other current and non-current assets	18	146.781	(143.882)
Change in short-term and long-term liabilities	18	28.003.393	41.698.590
Cash Flows Generated from Operating Activities (+)		**74.630.482**	**31.045.836**
Payments related to employee benefits	17	(304.823)	(13.638)
Net Cash Generated from Operating Activities		**74.325.659**	**31.032.198**
B. Cash Flows From Investıng Actıvıtıes			
Cash flows from purchase sales of property, plant, equipment	12	(1.165.162)	(1.484.703)
Cash flows from purchase sales of intangible assets	13	(60.160.903)	(26.253.061)
Other inflows / (outflows) of cash		(786.652)	(458.562)
Net Cash Used in Investing Activities		**(62.112.717)**	**(28.196.326)**
C. Cash Flows from Financing Activities			
Cash outflows from stock purchase	7	(980.000)	--
Cash outflows from derivative instruments	7	(654.441)	--
Interest paid	24	2.355	(72.405)
Repayments of / proceeds from borrowings	6	(798.759)	1.142.996
Cash Used in Financing Activities		**(2.430.845)**	**1.070.591**
Net Increase / (Decrease) in Cash and Cash Equivalents	**5**	**9.782.097**	**3.906.463**
D. Cash and Cash Equivalents at 1 January	**5**	**12.526.812**	**8.620.349**
Cash and Cash Equivalents at 31 December		**22.308.909**	**12.526.812**

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

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

1. GROUP'S ORGANIZATION AND NATURE OF OPERATIONS

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

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

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

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

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

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

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

1. GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (CONTINUED)

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

The average number of personnel employed within the Group as of 31 December 2022 is 499 (31 December 2021: 480).

Detailed information about the personnel is as follows:

	31 December 2022	**31 December 2020**
Permanent indefinite-term contracted personnel of the Group	151	134
Fixed-term contracted personnel employed by the Group within the scope of contracts with hospitals	348	346
Total number of personnel	**499**	**480**

The shareholders of the Company and shares are as follows:

	31 December 2022		**31 December 2021**	
Shareholders	**Share Amount**	**Rate %**	**Share Amount**	**Rate %**
Abdülkerim GAZEN	15.338.333	38,35	15.338.333	38,35
MIRI Strategic Emerging Markets Fund LP	--	--	6.040.382	15,10
Other	24.661.667	61,65	18.621.285	46,55
Paid capital	**40.000.000**	**100**	**40.000.000**	**100.00**

The Company's issued capital consists of 40.000.000 shares, all with a par value of 1 Turkish Liras each as at 31 December 2022 (31 December 2020: 40.000.000 shares).

As of 31 December 2022, 2.222.000 shares of 40.000.000 shares consist of Group A shares and 37.777.778 shares consist of Group B shares. Group A shares has a privilege in determining the members of the board of directors and in exercising voting rights in the general assembly.

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

The Company has accepted the registered capital system in accordance with the provisions of the Capital Market Law and has been involved to the registered capital system with the permission of the Capital Markets Board dated 27 February 2015 and numbered 5/253. The Company's registered capital ceiling amount is 100.000.000 TL, all with a par value of 1 Turkish Liras and total shares are 100.000.000. The permission of the registered capital ceiling valid date is between 2022- 2026.

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

1. GROUP'S ORGANIZATION AND NATURE OF OPERATIONS (CONTINUED)

Subsidiaries fully consolidated included in the accompanying consolidated financial statements:

Pidata Bilişim Teknolojileri Anonim Şirketi ("Pidata")

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

Company Title	Share Rate %	Main operating activity	Type of activity	Country	Year of establishment
Pidata Bilişim Teknolojileri A.Ş.	100	Information Technologies	Services	Turkey/Ankara	2018

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Basis of Presentation

Financial Reporting Standards

The consolidated financial statements of the Group are in accordance with the provisions of the Capital Markets Board's Communiqué Serial II, 14.1 "Principles of Financial Reporting in the Capital Markets" ("Communiqué") published in the Official Gazette dated 13 June 2013 and numbered 28676, Public Oversight Accounting and Auditing Standards Authority ("POA"), based on Turkish Financial Reporting Standards ("IFRS") and their annexes and comments, in line with international standards. IFRS is updated through communiqués to ensure parallelism with the changes in International Financial Reporting Standards ("IFRS").

Consolidated financial statements are presented in accordance with the formats determined in the "Announcement on TAS Taxonomy" published by POA on April 15, 2019 and Financial Statement Examples and User Guide published by CMB.

POA made a statement on January 20, 2022, in order to eliminate the hesitations about whether the companies that apply Turkish Financial Reporting Standards (TFRS) will apply TAS 29 Financial Reporting in High Inflation Economies in the 2021 financial reporting period. Accordingly, it has been stated that businesses applying TFRS do not need to make any adjustments within the scope of TAS 29 Financial Reporting in High Inflation Economies ("TAS 29"), and no new explanation has been made by the CMB about the application of TAS 29. Considering that no new disclosure has been made as of the date these consolidated financial statements were prepared, no inflation adjustment was made in accordance with TAS 29 while preparing the consolidated financial statements as of 31 December 2022.

Presentation and Functional Currency

The consolidated financial statements are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

For the purpose of the consolidated financial statements, the functional and presentation currency of the Group is accepted as Turkish Lira "TL."

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1. Basis of Presentation (Continued)

Going concern

The accompanying financial statements have been prepared on the basis of the going concern principle.

Adjustment of financial statements during periods of high inflation

Based on the CMB's decision dated 17 March 2005 and numbered 11/367, the financial statements are at their best, since the objective conditions requiring the application of restatement of the amounts in the financial statements have not been fulfilled, and the CMB predicts that the signs of realization of these conditions will disappear to a large extent in the future based on the existing data. As of 31 December 2004, it has been restated in accordance with TAS 29 (Financial Reporting in Hyperinflationary Economies). Therefore, non-monetary assets and liabilities and equity items including capital in the balance sheets dated 31 December 2022 and 2021 are calculated by indexing the entries up to 31 December 2004 and carrying the entries after this date from the nominal value.

Approval of Consolidated Financial statements

The financial statements have been approved by the Board of Directors and authorized for publication on 13 March 2023. The Board of Directors has the authority to change the financial statements.

2.2. Changes in Accounting Policies

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

2.3 Comparative information and restatement of prior period financial statements

The Group's financial statements are prepared comparatively with the previous period in order to enable the determination of financial position and performance trends. In order to comply with the presentation of the current period financial statements, comparative information is reclassified when deemed necessary and important differences are disclosed.

2.4 New and Revised International Financial Reporting Standards

a) <u>*New and revised IFRSs that are effective for the current year*</u>

Amendments to TFRS 3	*Reference to the Conceptual Framework*
Amendments to TAS 16	*Property, Plant and Equipment – Proceeds before Intended Use*
Amendments to TAS 37	*Onerous Contracts – Cost of Fulfilling a Contract*
Annual Improvements to TFRS Standards 2018-2020	*Amendments to TFRS 1, TFRS 9 and TAS 41*
Amendments to TFRS 16	*COVID-19 Related Rent Concessions beyond 30 June 2021*

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 New and Revised International Financial Reporting Standards (Continued)

a) *New and revised IFRSs that are effective for the current year (continued)*

Amendments to TFRS 3 *Reference to the Conceptual Framework*

The amendments update an outdated reference to the Conceptual Framework in TFRS 3 without significantly changing the requirements in the standard.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted if an entity also applies all other updated references (published together with the updated *Conceptual Framework*) at the same time or earlier.

Amendments to TAS 16 *Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

The amendments are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TAS 37 *Onerous Contracts – Cost of Fulfilling a Contract*

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract or an allocation of other costs that relate directly to fulfilling contracts.

The amendments published today are effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Annual Improvements to TFRS Standards 2018-2020 Cycle

Amendments to TFRS 1 *First time adoption of International Financial Reporting Standards*

The amendment permits a subsidiary that applies paragraph D16(a) of TFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to TFRSs.
Amendments to TFRS 9 *Financial Instruments*

The amendment clarifies which fees an entity includes in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 New and Revised International Financial Reporting Standards (Continued)

a) *New and revised IFRSs that are effective for the current year*

Amendments to TAS 41 *Agriculture*

The amendment removes the requirement in paragraph 22 of TAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in TFRS 13.

The amendments to TFRS 1, TFRS 9, and TAS 41 are all effective for annual periods beginning on or after 1 January 2022. Early application is permitted.

Amendments to TFRS 16 *COVID-19 Related Rent Concessions beyond 30 June 2021*

Public Oversight Accounting and Auditing Standards Authority ("POA") has published Amendments to TFRS 16 *COVID-19 Related Rent Concessions beyond 30 June 2021* that extends, by one year, the June 2020 amendment that provides lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification.

On issuance, the practical expedient was limited to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2021. Since lessors continue to grant COVID-19 related rent concessions to lessees and since the effects of the COVID-19 pandemic are ongoing and significant, the POA decided to extend the time period over which the practical expedient is available for use.

The new amendment is effective for lessees for annual reporting periods beginning on or after 1 April 2021. Earlier application is permitted.

b) **New and revised TFRSs in issue but not yet effective**

The Group has not yet adopted the following standards and amendments and interpretations to the existing standards:

TFRS 17	*Insurance Contracts*
Amendments to TAS 1	*Classification of Liabilities as Current or Non-Current*
Amendments to TFRS 4	*Extension of the Temporary Exemption from Applying TFRS 9*
Amendments to TAS 1	*Disclosure of Accounting Policies*
Amendments to TAS 8	*Definition of Accounting Estimates*
Amendments to TAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to TFRS 17	*Initial Application of TFRS 17 and TFRS 9 — Comparative Information (Amendment to TFRS 17)*
Amendments to TFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to TAS 1	*Non-current Liabilities with Covenants*

TFRS 17 *Insurance Contracts*

TFRS 17 requires insurance liabilities to be measured at a current fulfillment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. TFRS 17 supersedes TFRS 4 *Insurance Contracts* as of 1 January 2023.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 New and Revised International Financial Reporting Standards (Continued)

b) New and revised IFRSs in issue but not yet effective (Continued)

Amendments to TAS 1 *Classification of Liabilities as Current or Non-Current*

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TFRS 4 *Extension of the Temporary Exemption from Applying TFRS 9*

The amendment changes the fixed expiry date for the temporary exemption in TFRS 4 *Insurance Contracts* from applying TFRS 9, so that entities would be required to apply TFRS 9 for annual periods beginning on or after 1 January 2023 with the deferral of the effective date of TFRS 17.

Amendments to TAS 1 *Disclosure of Accounting Policies*

The amendments require that an entity discloses its material accounting policies, instead of its significant accounting policies.

Amendments to TAS 1 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TAS 8 *Definition of Accounting Estimates*

With this amendment, the definition of "a change in accounting estimates" has been replaced with the definition of "an accounting estimate", sample and explanatory paragraphs regarding estimates have been added, and the differences between application of an estimate prospectively and correction of errors retrospectively have been clarified.

Amendments to TAS 8 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments clarify that the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

Amendments to TAS 12 are effective for annual reporting periods beginning on or after 1 January 2023 and earlier application is permitted.

Amendments to TFRS 17 *Insurance Contracts* and *Initial Application of TFRS 17 and TFRS 9 — Comparative Information*

Amendments have been made in TFRS 17 in order to reduce the implementation costs, to explain the results and to facilitate the initial application.

The amendment permits entities that first apply TFRS 17 and TFRS 9 at the same time to present comparative information about a financial asset as if the classification and measurement requirements of TFRS 9 had been applied to that financial asset before.

Amendments are effective with the first application of TFRS 17.

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.4 New and Revised International Financial Reporting Standards (Continued)

Annual Improvements to IFRS Standards 2018-2020 (Continued)

c) *New and revised IFRSs in issue but not yet effective (Continued)*

Amendments to TFRS 16 *Lease Liability in a Sale and Leaseback*

Amendments to TFRS 16 clarify how a seller-lessee subsequently measures sale and leaseback transactions that satisfy the requirements in TFRS 15 to be accounted for as a sale.

Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

Amendments to TAS 1 *Non-current Liabilities with Covenants*

Amendments to TAS 1 clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability.

Amendments are effective from annual reporting periods beginning on or after 1 January 2024.

The Group evaluates the effects of these standards, amendments and improvements on the consolidated financial statements.

2.5 Summary of Significant Accounting Policies

Basis of consolidation

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

Subsidiaries

As of 31 December 2022, the Group has control over financial and operating policies consolidated financial statements includes the financial statements of the subsidiaries.

As of 31 December 2022, the direct and indirect participation rates of the companies subject to consolidation are as follows:

Company Title	Share Rate %	Main operating activity	Type of activity	Country
Pidata Bilişim Teknolojileri A.Ş.	100	Information Technologies	Services	Turkey/Ankara

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies

Basis of consolidation

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

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

Total comprehensive income is transferred to parent shareholders and non-controlling shares, even if non-controlling interests result in negative balance.

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

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

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

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

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

The comprehensive income statement items of the Group and its subsidiaries were collected separately, and the sales

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

Cash and cash equivalents

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Trade receivables

Trade receivables resulting from the provision of products or services to the buyer are shown as deducted unaccrued finance income. Trade receivables after unaccrued financial income are calculated by discounting the amounts to be obtained in the following periods of the receivables recorded from the original invoice value using the effective interest method. Short-term receivables with no specified interest rate are shown at their original invoice value unless the effect of the original effective interest rate is significant.

When there is an objective finding that there is no collection opportunity, a provision for impairment is made for the related trade receivables. Objective evidence is when the claim is pending or in preparation for litigation or enforcement, the buyer is in significant financial difficulty, the buyer is in default, or it is probable that a significant and unpredictable delay will occur. The amount of the provision in question is the difference between the book value of the receivable and the recoverable amount. The recoverable amount is the discounted value of all cash flows, including the amounts that can be collected from guarantees and guarantees, based on the original effective interest rate of the trade receivable.

Following the provision for impairment, if all or part of the amount of the impaired receivable is collected, the collected amount is deducted from the provision for impairment and recorded in other operating income.

The "simplified approach" defined in IFRS 9 has been preferred within the scope of the impairment calculations of trade receivables (with a maturity of less than one year) that are accounted at amortized cost in the financial statements and that do not contain a significant financing component. With this approach, the Group measures the provision for losses on trade receivables at an amount equal to lifetime expected credit losses, unless the trade receivables are impaired for certain reasons (excluding realized impairment losses).

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost elements included in inventories are materials, labour and an appropriate amount for factory overheads. The cost of borrowings is not included in the costs of inventories. The cost of inventories is determined on the weighted average basis for each purchase. Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Property, Plant and Equipment

The property, plant and equipment of the Group, which are held for use in the production or supply of goods and services, to be rented to others (for non-real estate assets) or to be used for administrative purposes, are stated with their cost values within the framework of the cost model.

Cost value of the tangible asset; The purchase price, import taxes, and non-refundable taxes consist of charges to make the tangible fixed asset available. Expenditures such as repair and maintenance after the use of the tangible fixed asset are reported in the income statement in the period they occur. If the expenditures provide an economic increase in the future use of the related tangible fixed asset, these expenditures are added to the cost of the asset.

Private costs include the expenditures made for the rented real estate, and in cases where the useful life is longer than the term of the rental contract, it is depreciated over the useful lives during the rental period.

Depreciation is reserved from the date on which the tangible assets are ready for use. Depreciation is continued to be reserved in the period when the relevant assets are idle.

Economic life and depreciation method are regularly reviewed; accordingly, it is checked whether the method and the depreciation period are in line with the economic benefits to be obtained from the related asset and corrections are made when necessary.

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Property, Plant and Equipment (Continued)

Cost Method

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

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

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

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

	Useful Life	Useful Life
	31 December 2021	**31 December 2020**
Buildings	50 years	50 years
Motor vehicles	5 years	5 years
Fixtures and fittings	3-15 years	3-15 years
Leasehold improvements	3-15 years	3-15 years

Intangible Assets

Intangible assets purchased

Purchased intangible assets are shown with the amount after accumulated amortization and accumulated impairment losses are deducted from their cost values. These assets are amortized using the straight-line method based on their expected useful life. The expected useful life and depreciation method are reviewed annually in order to determine the possible effects of the changes that occur in the estimations and the changes in the estimations are accounted prospectively.

Computer software

Purchased computer software is activated over the costs incurred during the purchase and from the purchase until it is ready for use.

Derecognition of intangible assets

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

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Intangible Assets (Continued)

Evaluation of research costs and development costs under Articles 52 to 67 of TAS 38;

Planned activities with the aim of obtaining new technological information or findings are defined as research and expense is recorded when the research expenses incurred at this stage are realized.

The application of research findings or other information to a plan prepared to produce new or significantly improved products, processes, systems or services is defined as development and is included in the financial statements as intangible assets resulting from development if all of the following conditions exist.
Intangible fixed assets created within the company resulting from development activities (or the development phase of an in-house project) are registered only when all of the following conditions are met:

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

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

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

	Useful Life	**Useful Life**
	31 December 2021	**31 December 2020**
Rights	10-15 years	10-15 years
Development costs	12 years	12 years
New HIS working in Java based cloud	15 years	15 years
Tales ERP	15 years	15 years
Web portals	5 years	5 years
Other intangible fixed assets	3-10 years	3-10 years

Impairment of Assets

Assets with an indefinite life, such as goodwill, are not amortized. Each year, an impairment test is applied for these assets. For assets that are subject to amortization, an impairment test is applied in case of situations or events where it is not possible to recover the book value. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded. The recoverable amount is the higher of fair value less costs to sell or value in use. For assessment of impairment, assets are grouped at the lowest level with separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that are subject to impairment are reviewed for possible reversal of impairment at each reporting date.

Borrowing Costs and Funds

In the case of assets (featured assets) that require considerable time to be ready for use and sale, borrowing costs directly associated with the purchase, construction or production are included in the cost of the asset until the related asset is made ready for use or sale. All other borrowing costs are recorded in the income statement in the period they occur.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Right-of-use asset

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

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

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

a) less any accumulated depreciation and any accumulated impairment losses; and
b) adjusted for any remeasurement of the lease liability.

Group applies the depreciation requirements in TAS 16 Property, Plant and Equipment Standard in depreciating the right-of-use asset.

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

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

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

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

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

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

Practical expedients

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Financial liabilities

Financial liabilities are recorded with their values after the transaction expenses are deducted from the financial debt amount received on the date of receipt. Financial liabilities are followed in the financial statements with their discounted values calculated with effective interest rate on the following dates.

The difference between the amount of the financial debt received (excluding transaction expenses) and the repayment value is recognized on the accrual basis during the financial debt period in the statement of profit or loss.

Financial debts are classified as short-term liabilities if the company does not have unconditional right such as postponing the liability for 12 months from the balance sheet date.

Trade payables

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

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

Financial instruments

Financial instruments are accounted for in accordance with the provisions of TFRS 9 "Financial Instruments".

Non-derivative financial assets

Financial assets other than trade receivables, other receivables, and cash and cash equivalents that do not have a significant financing component are measured at fair value at initial recognition. In case the trade receivables do not have a significant financing component (or the facilitating application is chosen), these receivables are measured at the transaction price at the time of initial recognition.

In the initial measurement of financial assets other than those at fair value through profit or loss, transaction costs directly attributable to their acquisition or issuance are added to or deducted from fair value. Financial assets bought and sold in the normal way are recorded on the transaction date..

Classification of financial assets

Financial assets are recognized at amortized cost, at fair value through other comprehensive income, or at fair value through profit or loss, based on (a) the business model the entity uses to manage the financial asset, and (b) the contractual cash flows of the financial asset. classified as reflected. If the business model used for the management of financial assets is changed, all financial assets affected by this change are reclassified. Reclassification of financial assets. It is applied prospectively from the date of reclassification. In such cases, no adjustments are made for gains, losses (including impairment gains or losses) or interest previously recognized.

Financial assets calculated at amortized cost

A financial asset is measured at amortized cost if both of the following conditions are met:

(a) holding the financial asset under a business model that seeks to collect contractual cash flows; and

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Financial instruments (continued)

(b) the contractual terms of the financial asset result in cash flows at specified dates that include only payments of principal and interest on the principal outstanding balance.

Interest income on financial assets shown at amortized cost is calculated using the effective interest method. This income is calculated by applying the effective interest rate to the gross carrying amount of the financial asset, except:

(a) Credit-impaired financial assets at purchase or origination: For such financial assets, a credit-adjusted effective interest rate is applied to the amortized cost of the financial asset from initial recognition.

(b) Financial assets that were not credit-impaired financial assets when purchased or created but subsequently became credit-impaired financial assets: For such financial assets, the effective interest rate is applied to the amortized cost of the asset in subsequent reporting periods.

If the contractual cash flows of a financial asset have been changed or otherwise restructured and such modification or restructuring does not result in derecognition of the financial asset, the gross carrying amount of the financial asset is recalculated and the restructuring gain or loss is recognized in profit or loss.

In the absence of reasonable expectations of a partial or total recovery of a financial asset's value, it is derecognized, directly reducing the gross carrying amount of the financial asset.

Financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if both of the following conditions are met:

(a) holding the financial asset under a business model aimed at collecting the contractual cash flows and selling the financial asset; and

(b) the contractual terms of the financial asset result in cash flows at specified dates that include only payments of principal and interest on the principal outstanding balance.

Gains or losses on a financial asset measured at fair value through other comprehensive income, other than impairment gains or losses and foreign exchange gains or losses, are recognized in other comprehensive income until the financial asset is derecognized or reclassified. When a financial asset is reclassified, the total gain or loss previously recognized in other comprehensive income is subtracted from equity as a reclassification adjustment and recognized in profit or loss at the reclassification date. If a financial asset measured at fair value through other comprehensive income is reclassified, the total gain or loss previously recognized in other comprehensive income is recognized. Interest calculated using the effective interest method is recognized as profit or loss.

At initial recognition, an irrevocable choice may be made to present subsequent changes in the fair value of an investment in a non-trading equity instrument in other comprehensive income.

2. 2.BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Financial instruments (continued)

Financial assets at fair value through profit or loss

Unless a financial asset is measured at amortized cost or at fair value through other comprehensive income, it is measured at fair value through profit or loss.

These financial assets, which constitute derivative products that have not been determined as an effective hedging instrument against financial risk, are also classified as financial assets at fair value through profit or loss. Related financial assets are shown with their fair values and gains and losses resulting from the valuation are recognized in the profit or loss statement.

Impairment of financial assets

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

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

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

Non-derivative financial liabilities

Financial liabilities are measured at fair value on initial recognition. In the initial measurement of liabilities other than those at fair value through profit or loss, transaction costs directly attributable to their acquisition or issuance are added to the fair value.

All financial liabilities are classified as measured at amortized cost at subsequent recognition, except for:

(a) Financial liabilities at fair value through profit or loss: These liabilities are measured at fair value at subsequent recognition, including derivatives.

(b) Financial liabilities arising when the transfer of a financial asset does not qualify for derecognition or if the continuing relationship approach is applied: An asset continues to be presented to the extent of the continuing relationship. A corresponding liability is also reflected in the financial statements. The transferred asset and the associated liability. Rights and obligations that continue to be retained are measured to reflect. Liability associated with the transferred asset. measured in the same manner as the net book value of the transferred asset.

(c) Contingent consideration recognized by the acquirer in a business combination to which IFRS 3 applies: After initial recognition, the fair value changes in such contingent consideration are measured through profit or loss.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Financial instruments (continued)

Derivative financial instruments

Derivative financial instruments are valued with their acquisition cost, which is equal to their fair value when they are first recorded, and their fair value in the following periods. Differences between fair value and acquisition cost are reflected in profit or loss.

Financial assets and liabilities are recorded only if they become a party to the contract of financial instruments. The asset is derecognized when the contractual rights to the cash flows of the financial asset expire or the related financial asset and all the risks and rewards of ownership of that asset are transferred to another party. In cases where all the risks and rewards of ownership of the asset are not transferred to another party and control of the asset is retained, the remaining interest in the asset and the liabilities arising from and due to this asset continue to be recognized.

In the event that all the risks and rewards of ownership of a transferred asset are retained, the financial asset continues to be accounted for, and a collateralized liability amount is also recognized for the income earned against the transferred financial asset. A financial liability is derecognized, only if the obligation defined in the contract ceases to exist, is canceled or expires.

Recognition of Revenue

The Group earns its revenue by selling the software programs it has produced. Revenue is recognized when control of products is transferred to the customer. Group revenue mainly consists of sales revenue of software products mentioned in the first footnote.

Revenues; within the scope of "TAS 15 Revenue from Customer Contracts" standard, it is reflected in the financial statements at an amount reflecting the price that the Group expects to be entitled to in return for the transfer of the goods or services it has committed to its customers.

For this purpose, a 5-step process is applied in the recognition of revenue within the framework of IFRS 15 provisions.

- Identification of contracts with the customer
- Determination of separate performance criteria and obligations in the contract
- Determination of the contract price
- Distribution of the sales price to the liabilities
- Recognition of revenue as contractual obligations are fulfilled

In accordance with IFRS 15, when the Group fulfills the performance obligations promised in the customer contracts, in other words, when the control of the goods and services is transferred to the customer, the revenue is recognized in the financial statements. The Group records performance obligations over time or at a specific moment.

If the timing of the payments agreed by the parties to the contract provides a significant financial benefit, the promised price is adjusted for the effect of the time value of money when determining the transaction price.

If the Group, at the beginning of the contract, predicts that the period between the transfer date of the promised good or service to the customer and the date the customer pays for such good or service will be one year or less, it chooses the facilitating application and does not adjust the promised price for the effect of a significant financing component.

Additional explanations for some important income groups are given below.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Recognition of Revenue (continued)

Revenue from product sales

The Group generates revenue by selling the software programs it has produced. Revenue is recognized when control of products is transferred to the customer.

Group revenue mainly consists of sales revenues of software products mentioned in the first footnote.

software development services

Software development services that constitute the Group's field of activity; It consists of the services provided by providing human resources to the customer or projected software development services by being understood over the man hour. The control of software development services passes to the customer as the service is provided, and the customer receives and consumes the benefit from this act at the same time.

The completion phase of the contract is determined by the time spent, and the revenue, working hours and direct expenses from the contracts are recognized over the contract fees as they occur. Revenues from such services are recorded as income on an accrual basis over the hours of service provided on the basis of the contract, in accordance with the periodicity principle.

In the short-term and one-time services, the Group takes the income into the financial statements "at a certain moment of time" when the control is passed to the customer.

Cost and expenses

Expenses are accounted for on an accrual basis. Operating expenses are recorded as soon as the related expenses are incurred. The cost of goods and services is recognized as an expense when the relevant revenue is recognized.

Provisions, contingent asset and contingent liabilities

Provisions

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

Contingent Liabilities

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

Contingent Asset

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

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

Taxes on income

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

Current tax

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

Deferred Tax

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

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Taxes on income (Continued)

Deferred Tax (Continued)

Current and deferred tax for the period

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

Employee benefits and retirement benefits

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 (Employee Benefits) stipulates the development of Company's liabilities by using actuarial valuation methods under defined benefit plans.

The retirement benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined

Effects of exchange rate differences

The financial statements of the Group are presented in the currency (functional currency unit) valid in the basic economic environment in which they operate. The Group's financial status and operating results are expressed in TL, which is the current currency and the presentation unit for the financial statements.

During the preparation of the Group's financial statements, transactions in foreign currency (currencies other than TL) are recorded based on the exchange rates at the date of the transaction. Foreign currency indexed monetary assets and liabilities in the balance sheet are converted into Turkish Lira by using the exchange rates valid on the balance sheet

date. Of the non-monetary items that are monitored with their fair value, those recorded in foreign currency are converted into TL based on the exchange rates on the date the fair value is determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

- Exchange differences that are related to assets being built for future use and are included in the cost of such assets, which are considered as a correction item to interest costs on debts denominated in foreign currency,
- Foreign exchange differences arising from transactions to provide financial protection against risks arising from foreign currency (accounting policies for providing financial protection against risks are explained below),
- Foreign exchange differences arising from foreign debt and receivables arising from foreign operations, which are part of the net investment in foreign activity, accounted for in the reserve reserves and associated with profit or loss in the sale of the net investment, with no intention to pay or probability.

Earnings Per Share

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

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Earnings Per Share (continued)

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

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

Capital and dividends

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

Related Parties

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

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

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

ii) The entity and the reporting entity are members of the same Company (which means that each parent, subsidiary and fellow subsidiary is related to the others).
iii) Both entities are joint ventures of the same third party.
iv) The party is a member of the key management personnel of the Group or its parent;
v) The party is a close family member of any individual mentioned in (i) or (iv) articles;
vi) The entity is a; business that is controlled, jointly controlled, under significant influence or an individual abovementioned in (iv) or (v) has direct or indirect significant voting rights; or
vii) The entity is a post-employment defined benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.

Government incentives

A government incentive is not recognized in the financial statements without reasonable assurance that the entity will meet the conditions for obtaining the grant and that the incentive will be received.

Government incentives are systematically recognized in profit or loss during the periods in which the costs intended to be covered by these incentives are recognized as an expense. Government grants as a financing instrument are not recognized in profit or loss to offset the item of expenditure they finance. It should be associated with the statement of financial position (balance sheet) as unearned income and systematically reflected in profit or loss over the economic life of the related assets.

Government incentive given to cover previously incurred expenses or losses or to provide emergency financing support to the business without incurring any future costs are recognized in profit or loss in the period they become collectible.

The benefit of a loan from the government at a rate lower than the market rate is considered a government incentive. The benefit generated by the lower interest rate is measured as the difference between the initial carrying amount of the loan and the earnings earned.

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.5 Summary of Significant Accounting Policies (Continued)

Events after the reporting date

Events after the reporting period include all events between the reporting date and the date the financial statements are authorized for issue, even if they occur after any profit announcement or other selected financial information has been made public. In the event that events requiring adjustment occur after the reporting period, the Group adjusts the amounts recognized in the financial statements in accordance with this new situation. Significant non-adjusting events are disclosed in the footnotes.

Reporting of cash flows

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

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

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

Significant accounting judgments, estimates and assumptions

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

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

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

b) The Group has made certain important assumptions based on experiences of technical personnel in determining useful economic life of some machinery and equipment as of December 31, 2020. Therefore the estimates and assumptions made to determine their carrying value and related depreciation are material to the Group's financial position.(Note 10).

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

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

3. BUSINESS COMBINATION

None (31 December 2021: None).

4. SEGMENT REPORTING

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

5. CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Cash on hands	4.868	1.168
Banks		
- *Demand deposits*	5.898.663	7.524.921
- *Time deposits*	16.405.378	5.000.723
Total	**22.308.909**	**12.526.812**

As of the reporting period, the time deposits of the Group are comprised of TL assets, with a maturity range of approximately 2-15 days and interest rates between 11,14% and 18%.

(*) The Company's TL 28.030 demand deposits are in participation banks, TL 5.870.633 in other banks and TL 2.154.847 of time deposits are in participation banks and TL 14.250.531 in other banks.

6. FINANCIAL BORROWINGS

Current borrowings	**31 December 2021**	**31 December 2020**
Bank loans	--	1.414.258
Lease liabilities	606.245	612.278
Other financial liabilities	1.405.078	713.815
Total	**2.011.323**	**2.740.351**

Non current borrowings	**31 December 2022**	**31 December 2021**
Lease liabilities	789.936	859.667
Total	**789.936**	**859.667**

6. FINANCIAL BORROWINGS (CONTINUED)

The repayment schedule of the financial liabilities	31 December 2022	31 December 2021
0-3 month	1.405.078	2.128.073
Total	**1.405.078**	**2.128.073**

Amounts related to the loans expressed in Turkish Lira and the details of the Collaterals, Pledges and Mortgages given against the loans are given in Note 15.

Details of liabilities comprised of right of use	31 December 2022	31 December 2021
1-2 years	606.245	612.278
2-3 years	379.180	348.935
3-4 years	326.236	292.287
4-5 years	84.520	218.445
Total	**1.396.181**	**1.471.945**

7. FINANCIAL ASSETS

As of 31 December 2022, the details of the Group's financial investments are as follows:

a.) Tangible assets

	31 December 2022	31 December 2021
Stocks traded on the stock exchange	980.000	--
	980.000	**--**

b.) Currency protected deposit

	31 Aralık 2022	31 Aralık 2021
Currency protected deposit account (CPDA) (*)	654.441	--
	654.441	**--**

(*) As of 31 December 2022, the annual average interest rate of currency protected deposits is 14%.

31 December 2022	Nominal Value	Interest Accrual	Fair Value
CPDA	628.968	25.473	654.441
Total	**628.968**	**25.473**	**654.441**

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

8. TRADE RECEIVABLES AND TRADE PAYABLES

Short-term trade receivables	31 December 2022	31 December 2021
Trade receivables from related parties (Note 25)	--	--
Trade receivables	88.208.793	43.556.678
Notes receivable	900.000	--
Deferred financing income (-)	(815.735)	(948.621)
Provision for trade receivables (-)	(31.171)	(150.222)
Total	**88.293.058**	**42.608.057**

The movement of provision for trade receivables is as follows:

	31 December 2022	31 December 2021
Beginning of the period	**150.222**	**250.222**
Provision during the period (Note 22)	31.171	--
Provision canceled during the period (Note 22)	(150.222)	(100.000)
End of the period	**31.171**	**150.222**

Long-term trade receivables	31 December 2022	31 December 2021
Trade receivables (*)	12.492.333	33.109.189
Deferred financing income (-)	--	(2.227)
Total	**12.492.333**	**33.106.962**

Short-term Trade Payables	31 December 2022	31 December 2021
Trade payables from related parties (Note 25)	--	--
Trade payables	2.130.762	2.580.866
Deferred financing income (-)	(9.736)	(8.929)
Total	**2.121.026**	**2.571.937**

(*) The Group signed an HIS Usage License Agreement with the Republic of Turkey Northern Cyprus Health Information System Project with Türksat Uydu Haberleşme Kablo TV ve İşletme A.Ş. with a total value of USD 3.090.000 on 28 July 2021 and KKTC e-Insurance Information System Service Procurement" with a total value of USD 1.364.000 on 9 November 2021.The collection of the amounts will be within 24 – 36 months and therefore the Group has accounted this amount as deferred income (Note 11).

9. OTHER RECEIVABLES and OTHER LIABILITIES

Other short-term receivables	31 December 2022	31 December 2021
Due from personnel	9.000	21.400
Deposits and guarantees given	235.322	108.412
Receivables from the tax office	--	26.094
Total	**244.322**	**155.906**

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

9. OTHER RECEIVABLES and OTHER LIABILITIES (CONTINUED)

Other Non-Current Receivables	31 December 2022	31 December 2021
Deposits and guarantees given	35.500	35.500
Total	**35.500**	**35.500**

Other Current Liabilities	31 December 2022	31 December 2021
Other payables to related parties (Note 25)	--	11.690
Taxes and funds payables	1.545.755	508.216
Total	**1.545.755**	**519.906**

10. INVENTORIES

	31 December 2022	31 December 2021
Merchandises (*)	1.360.619	529.110
Total	**1.360.619**	**529.110**

(*) The Group's commercial goods consist of system room server and hardware materials.

11. PREPAID EXPENSES AND DEFERRED INCOME

Current Prepaid Expenses	31 December 2022	31 December 2021
Prepaid expenses (*)	961.970	1.272.800
Advances given for purchases	4.786.716	383
Advances given for business purposes	25.502	148.511
Total	**5.774.188**	**1.421.694**

Other long-term receivables	31 December 2022	31 December 2021
Prepaid expenses (*)	--	531.053
Total	**--**	**531.053**

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

Current Deferred Income	31 December 2022	31 December 2021
Deferred income (*)	54.133.448	9.836.802
Advances received (**)	5.000.000	507.198
Total	**59.133.448**	**10.344.000**

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

11. PREPAID EXPENSES AND DEFERRED INCOME (CONTINUED)

Non-current Deferred Income	31 December 2022	31 December 2021
Deferred income (*)	12.492.333	33.109.239
Total	**12.492.333**	**33.109.239**

(*) Within the scope of the HIMS Usage License Agreement signed with Türksat Uydu Haberleşme Kablo TV ve İşletme A.Ş. for the Turkish Republic of Northern Cyprus Health Information System Project on 28 July 2021 with a contract value of USD 3.090.000 which will be collected in 9 terms within 36 months in line with the payment plan determined by the parties. Although the maturity amounts are not equal; payment schedule and progress payment amounts are calculated by weighting according to the project periods. After the end of the 36-month contract period, a new Maintenance and Technical Support Service Agreement can be signed as a result of the conditions agreed by the parties.

(**) The Group has signed a license agreement with ATM İşletme İnşaat Sanayi ve Ticaret Anonim Şirketi and received an advance of TL 5.000.000 within the scope of this agreement.

12. PROPERTY, PLANT AND EQUIPMENT

	31 December 2021	Addition	Disposal	31 December 2022
Cost				
Buildings	1.500.000	--	--	1.500.000
Motor vehicles	2.181.909	800.000	--	2.981.909
Fixtures and fittings	5.084.160	531.891	--	5.616.047
Leasehold improvements	894.736	10.350	--	905.086
Total	**9.660.805**	**1.342.241**	--	**11.003.042**
Accumulated depreciation (-)				
Buildings	(330.000)	(30.000)	--	(360.000)
Motor vehicles	(1.204.155)	(405.834)	--	(1.609.989)
Fixtures and fittings	(3.051.134)	(771.299)	--	(3.822.433)
Leasehold improvements	(690.736)	(177.075)	--	(867.811)
Total	**(5.276.025)**	**(1.384.208)**	**--**	**(6.660.233)**
Net book value	**4.384.780**			**4.342.809**

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

12. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	31 December 2020	Addition	Disposal	31 December 2021
Cost				
Buildings	1.500.000	--	--	1.500.000
Motor vehicles	1.696.711	485.198	--	2.181.909
Fixtures and fittings	3.877.253	1.206.907	--	5.084.160
Leasehold improvements	966.532	14.539	(86.335)	894.736
Total	**8.040.496**	**1.706.644**	**(86.335)**	**9.660.805**
Accumulated depreciation (-)				
Buildings	(300.000)	(30.000)	--	(330.000)
Motor vehicles	(832.554)	(371.601)	--	(1.204.155)
Fixtures and fittings	(2.337.138)	(713.996)	--	(3.051.134)
Leasehold improvements	(555.131)	(180.356)	44.751	(690.736)
Total	**(4.024.823)**	**(1.295.953)**	**44.751**	**(5.276.025)**
Net book value	**4.015.673**			**4.384.780**

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

	31 December 2022	31 December 2021
Buildings	1.140.000	1.170.000
Motor vehicles	1.371.920	977.754
Fixtures and fittings	1.793.614	2.033.026
Leasehold improvements	37.275	204.000
Total	**4.342.809**	**4.384.780**

As of 31 December 2022, there is an insurance coverage of 1.130.000 TL (31 December 2020: 1.088.500 TL) on total assets. There are no restrictions on real estate.

The distribution of depreciation expenses is as follows:

	1 January- 31 December 2022	1 January – 31 December 2021
Tangible assets	1.384.208	1.295.953
Intangible assets (Not 13)	8.722.922	6.689.761
Depreciation of right-of-use assets (Not 14)	460.187	547.723
Total	**10.567.317**	**8.533.437**

As of 31 December 2022, of the total depreciation expense for the year ended, TL 8.818.941 is in cost of sales (31 December 2021: TL 7.002.126), and TL 1.748.376 is general administrative expenses (31 December 2021:TL 1.531.311) is included in.

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

13. INTANGIBLE ASSETS

	31 December 2021	**Additions**	**Disposals**	**31 December 2022**
Cost				
Rights	35.905.870	16.821.800	21.050.254	73.777.924
Development costs ".net based HIS"	4.588.814	--	--	4.588.814
Development costs —Java based			(21.050.254)	94.634.118
cloud system	74.204.619	41.479.754		
Tales ERP	4.460.431	1.682.275	--	6.142.706
Total	**119.159.734**	**59.983.829**	**--**	**179.143.562**
Accumulated amortization (-)				
Rights	(8.273.967)	(1.950.511)	(749.212)	(10.973.690)
Development costs ".net based HIS"	(3.856.981)	(309.079)	--	(4.166.060)
Development costs — Java based		(6.134.182)	749.212	(20.116.109)
cloud system	(14.731.139)			
Tales ERP	(268.106)	(329.150)	--	(597.256)
Total	**(27.130.193)**	**(8.722.922)**	**--**	**(35.853.115)**
Net book value	**92.029.541**			**143.290.447**

	31 December 2020	**Additions**	**Transfer**	**31 December 2021**
Cost				
Rights	11.214.338	7.545.000	17.146.532	35.905.870
Development costs ".net based HIS"	4.588.814	--	--	4.588.814
Development costs —Java based cloud system	74.319.377	17.031.774	(17.146.532)	74.204.619
Tales ERP	2.964.500	1.495.931	--	4.460.431
Total	**93.087.029**	**26.072.705**	**--**	**119.159.734**
Accumulated amortization (-)				
Rights	(5.547.000)	(1.814.401)	(912.566)	(8.273.967)
Development costs ".net based HIS"	(3.510.214)	(346.767)	--	(3.856.981)
Development costs — Java based cloud system	(11.313.990)	(4.329.715)	912.566	(14.731.139)
Tales ERP	(69.228)	(198.878)	--	(268.106)
Total	**(20.440.432)**	**(6.689.761)**	**--**	**(27.130.193)**
Net book value	**72.646.597**			**92.029.541**

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

13. INTANGIBLE ASSETS (CONTINUED)

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

	31 December 2022	31 December 2021
Rights	62.804.234	27.631.903
Development costs ".net based HIS"	422.754	731.833
Development costs — Java based cloud system	74.518.009	59.473.480
Tales ERP	5.545.450	4.192.325
Total	**143.290.447**	**92.029.541**

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

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

	31 December 2022	31 December 2021
Personnel costs (the personnel work on software development, project implementation and information technologies departments)	43.162.029	18.527.706
Total	**43.162.029**	**18.527.706**

Development costs incurred in prior periods are comprised of development costs related to the Java based HIS of which sales are ongoing.

14. RIGHT OF USE ASSETS

Cost	31 December 2021	Additions	Disposals	31 December 2022
Buildings				
Included in the balance sheet within the scope of IFRS 16 right of use assets	2.322.040	786.652	--	3.108.692
Total	**2.322.040**	**786.652**	**--**	**3.108.692**
Accumulated amortization (-)				
Buildings				
Included in the balance sheet within the scope of IFRS 16 right of use assets	(1.173.955)	(460.187)	--	(1.634.142)
Total	**(1.173.955)**	**(460.187)**	**--**	**(1.634.142)**
Net book value	**1.148.085**			**1.474.550**

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

14. RIGHT OF USE ASSETS (CONTINUED)

	31 Aralık 2020	Giriş	Çıkış	31 Aralık 2021
Maliyet				
Binalar	1.863.478	458.562	--	2.322.040
TFRS 16 kapsamında bilançoya alınan kullanım hakkı varlıkları				
Total	**1.863.478**	**458.562**	**--**	**2.322.040**
Birikmiş amortisman (-)				
Binalar				
TFRS 16 kapsamında bilançoya alınan kullanım hakkı varlıkları	(626.232)	(547.723)	--	(1.173.955)
Total	**(626.232)**	**(547.723)**	**--**	**(1.173.955)**
Net değer	**1.237.246**			**1.148.085**

Group in the case of tenant

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

The Group has five workplace rentals, Floor 1 and Floor 12 at The Paragon Business Centre in Çankaya, Ankara, Emlak Kredi Blokları 33/4 in Levent, Istanbul, Klarabergsviadukten 70, D4 11 68 in Stockholm, Sweden and Technology Development Zone in Hacettepe University Teknokent in Ankara, Turkey The beginning date of the contracts are 15 August 2017, 1 August 2019, 02 January 2020, 29 January 2021 and 01 July 2021 respectively and the contract terms are valid for 5 years.

15. GOVERNMENT INCENTIVES

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

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

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

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

16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

Other Current Provisions	**31 December 2022**	**31 December 2021**
Provisions for lawsuits	1.146.325	659.820
Total	**1.146.325**	**659.820**

The movement table of the litigation provision is as follows:

	01.01-31.12.2022	**01.01-31.12.2021**
Opening balance	659.820	429.175
Additional provision made during the period (Note 22)	755.250	317.045
Paid litigation amounts (-) (Note 22)	(268.745)	(86.400)
Closing Balance	**1.146.325**	**659.820**

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

	31 December 2022		**31 December 2021**	
	Amount	**Total**	**Amount**	**Total**
Ongoing lawsuits on behalf of the Group	40	867.222	41	1.071.254
Ongoing execution proceedings	2	45.724	6	221.494
Ongoing lawsuits against the Group	46	817.709	32	424.727
Ongoing enforcement proceedings	9	328.617	3	235.093
Total		**2.059.272**		**1.952.568**

The Group management has provided a provision in the amount of TL 755.250 in the financial statements with regards to lawsuits filed against The Group (31 December 2021 TL 659.820).

Contingent Liabilities

As of 31 December 2021, collaterals, pledges and mortgages (CPM's) given by the Group are as follows:

	31 December 2022	**31 December 2021**
CPM given by the Group		
A. CPM's given for Group's own legal personality CPM given by the company	10.418.725	15.303.450
B. CPM's given on behalf of fully consolidated companies	--	--
C. CPM's given on behalf of third parties for ordinary course of business		
D. Total amount of other CPM's		
i. Total amount of CPM's given on behalf of the majority shareholder	--	--
ii. Total amount of CPM's given on behalf of other Group companies which are not in scope of B and C	--	--
iii. Total amount of CPM's given on behalf of third parties which are not in scope of C	--	--
Total	**10.418.725**	**15.303.450**

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

16. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES (CONTINUED)

Details of CPM's given for the Group's own legal personality is as follows:

	31 December 2022	31 December 2021
Letters of guarantee	10.418.725	15.303.450
Total	**10.418.725**	**15.303.450**

17. LIABILITIES FROM EMPLOYEE BENEFITS

Liabilities from Employee Benefits	31 December 2022	31 December 2021
Payables due to personnel	4.932.681	2.524.618
Social security withholdings payables	4.492.046	1.178.040
	9.424.727	**3.702.658**

Current Provisions for Employee Benefits	31 December 2022	31 December 2021
Provisions for unused vacations	651.212	356.730
	651.212	**356.730**

Movements of the provisions for unused vacations are as follows:

	31 December 2022	31 December 2021
Beginning of the period	**356.730**	**329.831**
Provision amount for the current period (Note 21)	295.649	26.899
Payments (-) (Note 22)	(1.167)	--
End of the period	**651.212**	**356.730**

	31 December 2022	31 December 2021
Provision for employee termination benefits	4.648.626	1.748.561
	4.648.626	**1.748.561**

According to the Turkish Labor Law, the company is obliged to pay severance pay to each employee who completes at least one year of service and retires after 25 years of working life, whose employment relationship is terminated, who is called for military service or who dies.

As of 31 December 2022, the severance pay ceiling to be paid is subject to the monthly ceiling of TL 15.371,40 (31 December 2021: TL 10.848,59 as of 31 December 2020 TL 7.683,59 TL) for each year of service. As of 1 January 2023, the severance pay ceiling to be applied has been increased to TL 19.982,83 per month.

Severance pay liability is not legally subject to any funding.

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

17. LIABILITIES FROM EMPLOYEE BENEFITS (CONTINUED)

Severance pay liability is calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. TAS 19 ("Employee Benefits") requires the Company's liabilities to be developed using actuarial valuation methods within the scope of defined benefit plans.

Provision for Severance Pay

	31 December 2022	31 December 2021
Net discount rate (%)	%1.92	%3.70

	31 December 2022	31 December 2021
Beginning of the period	**1.748.561**	**1.042.688**
Service cost (Note 21)	1.319.053	529.224
Actuarial profit /(loss)	1.518.637	67.119
Interest expense (Note 22)	367.198	136.592
Compensation paid	(304.823)	(27.062)
Closing balance	**4.648.626**	**1.748.561**

18. OTHER ASSETS AND LIABILITIES

Other current assets	31 December 2022	31 December 2021
VAT carried forward	38.709	185.490
Total	**38.709**	**185.490**

Other current liabilities	31 December 2022	31 December 2021
Executive and BES Deductions	83.910	253.059
TOTAL	**83.910**	**253.059**

19. EQUITY, RESERVES AND OTHER EQUITY COMPONENTS

The Shareholders structure of The Company is as follow

	31 December 2022		31 December 2021	
Shareholders	**Share Amount**	**Rate %**	**Share Amount**	**Rate %**
Abdülkerim GAZEN	15.338.333	38,35	15.338.333	38,35
MIRI Strategic Emerging Markets Fund LP	--	--	6.040.382	15,10
Other	24.661.667	61,65	18.621.285	46,55
Paid capital	**40.000.000**	**100**	**40.000.000**	**100.00**

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

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

19. EQUITY, RESERVES AND OTHER EQUITY COMPONENTS (CONTINUED)

Other comprehensive income/loss not to be reclassified to profit or loss

	31 December 2022	31 December 2021
Actuarial gain/loss	(2.149.148)	(630.511)
	(2.149.148)	**(630.511)**

Restricted reserves allocated from profit

	31 December 2022	31 December 2021
Legal reserves	5.552.771	3.410.180
Special funds	979.270	
	6.532.041	**3.410.180**

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

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

20. REVENUE AND COST OF SALES (-)

Sales revenue, net	**01.01.-31.12.2022**	**01.01.-31.12.2021**
Domestic sales (*)	120.110.293	82.192.251
Exports	10.553.226	3.298.234
Other sales	--	547
Sales returns and discounts (-)	(2.495.205)	(11.400)
Revenue, net	**128.168.314**	**85.479.632**

Cost of sales (-)	**01.01.-31.12.2022**	**01.01.-31.12.2021**
Cost of services sold	64.516.841	42.684.288
Cost of merchandises sold	627.643	1.456.531
Cost of sales	**65.144.484**	**44.140.819**
Gross profit	**63.023.830**	**41.338.813**

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

20. REVENUE AND COST OF SALES (-) (CONTINUED)

(*) Public hospitals account for 64% (TL 77.017.055) of the Group's service sales contracts in Turkey between 1 January-31 December 2022, 5% (TL 5.427.932) for private hospitals, 31% (TL 37.665.306) other sales. (59% (TL 48.664.764) of the sales made between 01 January - 31 December 2021 consists of public hospitals, 33% (TL 27.390.121) from private hospitals, 7% (TL 6.137.366) from other sales.)

21. EXPENSES ACCORDING TO THEIR QUALITIES (-)

	01.01.- 31.12.2022	**01.01.- 31.12.2021**
General administrative expenses (-)	13.299.856	7.850.486
Marketing, selling and distribution expenses (-)	2.404.497	856.450
Research and development expenses (-)	184.324	419.053
Total	**15.888.677**	**9.125.989**

General Administrative Expenses	**01 January – 31 December 2022**	**01 January - 31 December 2021**
Employee benefit expenses	3.962.793	2.654.320
Depreciation and amortization expenses	1.748.376	1.531.311
Accommodation and meal expenses	1.414.715	327.935
Provision for severance pay (Note 17)	1.319.053	529.224
Taxes, dues and fees	1.133.764	262.738
Electricity, water, heating expenses	872.613	132.786
Office expenses	626.948	612.198
Lawsuit expenses	581.668	289.166
Rent expenses	353.111	353.111
Consulting expenses	304.537	416.578
Provision for vacation (Note 17)	295.649	26.899
Repair and maintenance expenses	237.974	350.320
Communication expenses	219.825	119.849
Insurance expenses	180.975	78.410
Other expenses	47.855	165.641
Total	**13.299.856**	**7.850.486**

Marketing, selling and distribution expenses	**01 January – 31 December 2022**	**01 January - 31 December 2021**
Tender Participation expense	1.731.699	490.291
Accommodation and meal expenses	405.218	7.570
Employee benefit expenses	233.684	158.146
Education consultancy expense	21.110	78.055
Certification expense	9.801	86.517
Subsistence expenses	1.788	--
Vehicle expense	884	11.843
Congress and symposium expenses	--	2.000
Other expenses	313	22.028
Total	**2.404.497**	**856.450**

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

21. EXPENSES ACCORDING TO THEIR QUALITIES (-) (CONTINUED)

Research and development expenses	01 January – 31 December 2022	01 January - 31 December 2021
Licensing expenses	--	305.048
Accommodation and meal expenses	--	92.005
Training and consultancy expenses	184.324	22.000
Total	**184.324**	**419.053**

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

Other income from operating activities	01.01.- 31.12.2022	01.01.- 31.12.2021
Incentive income	6.945.920	3.516.060
Reversal of provisions for receivables (Note 8)	150.222	100.000
Reversals of litigation (Note 16)	268.745	86.400
Deferred financing income	135.970	7.168
Other	468.490	139.071
Total	**7.969.347**	**3.848.699**

Other expense from operating activities (-)	01.01.- 31.12.2022	01.01.- 31.12.2021
Provision for litigation (Note 16)	755.250	317.045
Severance pay interest expenses (Note 17)	367.198	136.592
Deferred financing expenses (Note 8)	70	787.057
Other	293.475	150.272
Total	**1.447.164**	**1.390.966**

23. INCOME AND EXPENSES FROM INVESTING ACTIVITIES (-)

Income from investing activities	01.01.- 31.12.2021	01.01.- 31.12.2020
Interest income (*)	841.918	1.075.351
Income from sales of tangible assets	177.240	--
Total	**1.019.158**	**1.075.351**

(*) The Group's TL 114.848 of interest income consists of deposits in Participation Banks, TL 727.070 consists of interest income from other banks.

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

23. FINANCIAL INCOME AND EXPENSES (-)

Expense from investing activities	01.01.- 31.12.2021	01.01.- 31.12.2020
Expense from sales of tangible assets	--	(877)
Total	**--**	**(877)**

24. FINANCIAL INCOME AND EXPENSES (-)

Financial income	01.01.- 31.12.2022	01.01.- 31.12.2021
Foreign exchange income	2.920.368	1.734.457
Total	**2.920.368**	**1.734.457**

Financial expenses (-)	01.01.- 31.12.2022	01.01.- 31.12.2021
Letters of guarantee commission expenses	253.948	111.482
Foreign exchange expenses	326.093	287.951
Interest expense	--	72.405
Right of use expenses	360.457	53.639
Total	**940.498**	**525.477**

25. RELATED PARTIES

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

As of 31 December 2022, there is no receivable from related parties. (31 December 2021: None)

Payables to related parties

	31 December 2022		31 December 2021	
	Trade	Non-trade	Trade	Non-trade
Shareholder				
Abdülkerim GAZEN	--	--	--	11.690
Total			**--**	**11.690**

The amount of rights granted to senior managers in the current period is TL 2.341.500 (Prior period: TL 1.485.850)

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

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

Current tax

	31 December 2021	31 December 2020
Prepaid taxes and funds (-)	--	(485)
Tax asset or liability	**--**	**(485)**

Corporate Tax Provision

Corporations calculate a temporary tax of 23% on their quarterly financial profits and declare it until the 17th day of the second month following that period and pay it until the evening of the 17th day. The temporary tax paid during the year belongs to that year and is deducted from the corporate tax to be calculated on the corporate tax return to be submitted in the following year.

75% of the profits arising from the sale of participation shares, which are in the assets of the corporations for at least two full years, and 50% of the gains arising from the sale of the immovables that are in the assets for the same period of time, are exempt from tax, provided that they are added to the capital as stipulated in the Corporate Tax Law. .

According to the Turkish tax legislation, financial losses shown on the declaration can be deducted from the corporate income for the period, provided that they do not exceed 5 years. However financial losses can not be offsetted from last year's profits.

There is no practice in Turkey to reach an agreement with the tax authority regarding the taxes to be paid. Corporate tax returns are submitted to the relevant tax office until the evening of the 30th day of the fourth month following the month in which the accounting period is closed. However, the tax inspection authorities can examine the accounting records within five years, and if an incorrect transaction is detected, the tax amounts to be paid may change.

The Corporate Tax rate will be applied as 23% for the corporate earnings for the 2022 taxation period, and as 20% for the corporate earnings for the 2023 taxation period.

The law on amending the Tax Procedure Law and the Corporate Tax Law was enacted on 20 January 2022, Law No. 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. The Public Oversight Authority made a statement on the Implementation of Financial Reporting in High Inflation Economies under IFRS on 20 January 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 2022.

With the Law No. 7394 on the Evaluation of Immovable Property Owned by the Treasury and Amending the Value Added Tax Law, published in the Official Gazette dated 15 April 2022 and numbered 31810, and the Law No. With the paragraph added to the temporary article 13 of the Corporate Tax Law, the Corporate Tax rate will be applied as 25% for the corporate earnings for the 2022 taxation period. This amendment will be valid for the taxation of corporate earnings for the periods starting from 1 January 2022, starting with the declarations that must be submitted as of 1 July 2022.

Tax provision in the income statement:	**31 December 2022**	**31 December 2021**
Current period corporate tax provision	--	--
Deferred tax provision	(298.429)	589.266
Total	**(298.429)**	**589.266**

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

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

Deferred Tax Assets and Liabilities (continued)

Group, deferred income tax assets and liabilities. It calculates by taking into account the effects of temporary differences that arise as a result of different evaluations between the legal financial statements of balance sheet items. These temporary differences generally arise from the recognition of income and expenses in different reporting periods in accordance with the communiqué and tax laws.

As of 31 December 2021, and 31 December 2020, the temporary differences that are subject to deferred tax and the distribution of deferred tax assets calculated using the effective tax rates as of the balance sheet date are summarized below:

	Cumulative temporary differences		**Deferred Tax**	
	31 December 2022	**31 December 2021**	**31 December 2022**	**31 December 2021**
Deferred tax assets				
Provision for doubtful receivables	5.096.915	3.331.277	1.172.290	832.819
Severance pay provision	4.648.626	1.748.561	1.069.184	437.140
Lease contracts	--	1.305.451	--	326.363
Deferred finance expense	815.739	950.898	187.620	237.725
Provision for litigation	1.146.325	659.820	263.655	164.955
Unused vacation provision	651.212	356.726	149.779	89.182
Provision for doubtful receivables	31.171	150.222	7.169	37.556
Written off assets	--	233.694	--	58.424
Adjustment on borrowings	--	2.421	--	605
Other	81.248	228.533	18.687	57.133
Total	**12.471.236**	**8.967.603**	**2.868.384**	**2.241.902**

	Cumulative temporary differences		**Deferred Tax**	
	31 December 2022	**31 December 2021**	**30 December 2022**	**31 December 2021**
Deferred Tax Liabilities				
Capitalized costs of programs in progress	(3.147.594)	(3.476.679)	(723.947)	(869.170)
Capitalized development costs	(3.476.679)	(3.147.594)	(799.636)	(786.899)
Lease contracts	(1.712.511)	(850.095)	(393.878)	(212.524)
Difference between the tangible assets registered value and tax base	(207.811)	(126.563)	(47.797)	(31.641)
Adjustment for time deposits accounts	(195.432)	(9.857)	(44.949)	(2.464)
Deferred financial expense	(9.744)	(8.995)	(2.241)	(2.249)
Other	(5.000.000)	(134.500)	(1.150.000)	(33.625)
Total	**(13.749.771)**	**(7.754.283)**	**(3.162.448)**	**(1.938.572)**
Deferred Tax Assets / (Liabilities), net	**(1.278.535)**	**1.213.320**	**(294.064)**	**303.330**

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

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

Movements of deferred tax assets / (liabilities) are as follows:

	31 December 2022	31 December 2021
Opening balance of deferred tax assets / (liabilities)	303.330	(272.512)
Deferred tax expense / (income)	(298.429)	589.266
Deferred tax effect of other comprehensive income	(304.823)	(13.424)
Deferred tax asset / liability in the current period	**(299.922)**	**303.330**

27. EARNINGS PER SHARE

Net profit / (loss) for the period from continued operations:	**01.01.-31.12.2022**	**01.01.-31.12.2021**
Net profit / (loss) of parent company from continued operations		
Weighted average number of shares	56.359.102	37.543.277
	40.000.000	40.000.000
Earnings / (loss) per share from continued operations (TL)		
	1,41	**0,94**
Earnings / (loss) per share		
Profit / (loss) for the period		
Net profit / (loss) of minority shares for the period	56.359.102	37.543.277
Net profit / (loss) of parent company for the period	**--**	**--**
Weighted average number of shares	56.359.102	37.543.277
Net profit / (loss) for the period from continued operations:	40.000.000	40.000.000
Earnings / (loss) per share (TL)	**1,41**	**0,94**

	01.01.-31.12.2022	**01.01.-31.12.2021**
Number of weighted shares at the beginning of the period	40.000.000	40.000.000
Number of shares issued within the period	6.040.382	--
Number of shares transferred during the period	(6.040.382)	--
Number of shares at the end-of-period	40.000.000	40.000.000

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

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

Capital Risk Management

The risks associated with each capital class, together with the Group's cost of capital, are evaluated by senior management.

The primary purpose of the Group's capital management is to maximize equity values and to ensure the continuity of a healthy capital structure. The Group manages its capital structure and makes adjustments in the light of changes in economic conditions.

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

28. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

Capital Risk Management (Continued)

Based on the evaluations of the top management, the Group may acquire new debt or repay the existing debt; Within the framework of the dividend policy, it aims to keep the capital structure in balance through the distribution of dividends in cash and/or bonus shares or the issuance of new shares. While trying to ensure the continuity of its activities in capital management, the Group also aims to increase its profitability by using the debt and equity balance in the most efficient way.

The Group monitors capital using the net financial debt to capital employed ratio. This ratio is found by dividing the financial debt used by the capital. Net financial debt is calculated by deducting cash and cash equivalents from the total debt amount. Capital employed is calculated as equity plus net financial debt as shown in the balance sheet.

	01.01.-31.12.2022	**01.01.-31.12.2021**
Total liabilities	97.211.069	58.804.500
Less: cash and cash equivalents	(22.308.909)	(12.526.812)
Net (Cash)/Liabilities	**74.902.160**	**46.277.688**
Total equity	186.947.200	132.100.877
Capital	40.000.000	40.000.000
Net (Cash) Liabilities / Total Equity Ratio	**0,40**	**0,35**

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

	01.01.-31.12.2022	**01.01.-31.12.2021**
Current assets	119.654.246	57.427.554
Current liabilities (-)	76.117.726	21.148.461
Net working capital excess / (deficit)	**43.536.520**	**36.279.093**
Current Ratio	**1,57**	**2,72**

Earnings Before Interest Tax Depreciation and Amortization (EBITDA)	**01.01.-31.12.2022**	**01.01.-31.12.2021**
Net income / (loss) for the period	56.364.960	37.543.277
Income / expenses from operating activities, net	(6.523.350)	(2.457.733)
Income / expenses from investment activities, net	(1.019.158)	(1.074.474)
Depreciation expenses	10.567.317	8.533.436
Financing (income) / expense, net	(1.979.870)	(1.208.980)
Tax (income) / loss, net	292.571	(589.266)
EBITDA	**57.702.470**	**40.746.260**
EBITDA margin	**45,02**	**47,67**

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

28. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Factors

Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations. The Group management meets these risks by limiting the average risk for the counterparty in each agreement. The Group's collection risks mainly arise from its trade receivables. The Group manages this risk by limitation on the extension of the credit to customers. Credit limits are monitored regularly by the Company and the customer's financial position, taking into account the customers' credit quality and other factors considered. The Group does not have any derivative financial instruments. (31 December 2021: None)

The imposed credit risk by financial instrument type is as follows:

	RECEIVABLES					
	Trade Receivables		**Other Receivables**			**Cash**
31 December 2022	**Related Parties**	**Other Parties**	**Related Parties**	**Related Parties**	**Bank Deposits**	**and Other**
Maximum credit risk exposures as of report date (A+B+C+D+E)	**--**	**100.785.391**	**--**	**279.822**	**22.304.041**	**4.868**
- Secured part of maximum credit risk exposure via collateral etc.	--	-	--		-	--
A. Net book value of the financial assets that are neither overdue nor impaired	--	100.785.391	--	279.822	22.304.041	4.868
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	--	--	--	--	--	--
C. Net book value of financial assets that are overdue but not impaired	--	--	--	--	--	--
D. Net book value of impaired financial assets	--	--	--	--	--	--
- Overdue (gross carrying amount)	--	31.171	--	--	--	--
- Impairment asset (-)	--	(31.171)	--	--	--	--
- Net, secured part via collateral etc.	--	--	--	--	--	--
E. Off-balance sheet financial assets exposed to credit risk	--	--	--	--	--	--

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

28. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Factors (Continued)

Credit risk (Continued)

The imposed credit risk by financial instrument type is as follows:

	RECEIVABLES					
	Trade Receivables		**Other Receivables**			
31 December 2021	**Related Parties**	**Other Parties**	**Related Parties**	**Related Parties**	**Bank Deposits**	**Cash and Other**
Maximum credit risk exposures as of report date (A+B+C+D+E)	--	**75.715.019**	**--**	**191.406**	**12.525.644**	**1.168**
- Secured part of maximum credit risk exposure via collateral etc.	--	**--**	**--**	**--**	**--**	**--**
A. Net book value of the financial assets that are neither overdue nor impaired	**--**	75.715.019	**--**	191.406	12.525.644	1.168
B. Carrying amount of financial assets that are renegotiated, otherwise classified as overdue or impaired	--	--	--	--	--	--
C. Net book value of financial assets that are overdue but not impaired	--	--	--	--	--	--
D. Net book value of impaired financial assets	--	--	--	--	--	--
- Overdue (gross carrying amount)	--	150.222	--	--	--	--
- Impairment asset (-)	--	(150.222)	--	--	--	--
- Net, secured part via collateral etc.	--	--	--	--	--	--
E. Off-balance sheet financial assets exposed to credit risk	--	--	--	--	--	--

Liquidity risk

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

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

28. THE NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (CONTINUED)

Financial Risk Factors (Continued)

Liquidity risk (continued)

Maturities accordance with the contract as of 31 December 2022	Book value	Total contractual cash outflow (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1 – 5 years III)
Non-derivative Financial Liabilities					
Bank loans	--	--	--	--	--
Other financial liabilities	1.405.078	1.405.078	1.405.078	--	--
Trade payables	2.121.026	2.121.026	2.121.026	--	--
Finance lease obligations	1.396.181	1.396.181	606.245	379.180	326.236
Total	**4.922.285**	**4.922.285**	**4.132.349**	**379.180**	**326.236**
Liabilities from employee benefits	5.794.951	5.794.951	5.794.951	--	--
Total	**5.794.951**	**5.794.951**	**5.794.951**	**--**	**--**

Maturities accordance with the contract as of 31 December 2021	Book value	Total contractual cash outflow (I+II+III+IV)	Less than 3 months (I)	3-12 months (II)	1 – 5 years III)
Non-derivative Financial Liabilities					
Bank loans	1.414.258	1.411.837	1.411.837	--	--
Other current liabilities	713.815	713.815	713.815	--	--
Finance lease obligations	2.571.937	2.571.937	2.571.937	--	--
Trade payables	1.471.945	1.471.945	612.278	348.935	292.287
Total Liabilities	**6.171.955**	**6.169.534**	**5.309.867**	**348.935**	**292.287**
Liabilities from employee benefits	2.408.381	2.408.381	2.408.381	--	--
	2.408.381	**2.408.381**	**2.408.381**	**--**	**--**

Market Risk

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

Interest Rate Risk

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

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

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

Financial Risk Factors (Continued)

The Group's interest position table is as follows:

Interest Rate Risk (continued)

	31 December 2022	31 December 2021
Financial instruments with fixed interest		
Financial Liabilities (Note 6)	2.801.259	3.600.018
Cash and Cash Equivalents (Note 5)	(22.308.909)	(12.526.812)

29. EVENTS AFTER THE REPORTING DATE

The company, with the decision numbered 2023/2 taken on 16 February 2023, the company made a repurchase of 340,000 shares on 23 February 2023, as the share price did not reflect the real performance and in order to protect the shareholders.