TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ

CONVENIENCE TRANSLATION INTO ENGLISH OF FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2021 WITH INDEPENDENT AUDITOR'S REPORT

(Originally issued in Turkish)

16 February 2022

This report includes 8 pages of independent auditor's report and 75 pages of financial statements and notes to the financial statements.

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CONVENIENCE TRANSLATION OF THE INDEPENDENT AUDITOR'S REPORT ORIGINALLY PREPARED AND ISSUED IN TURKISH TO ENGLISH

To the Shareholders of Teknosa İç ve Dış Ticaret Anonim Şirketi

A) Audit of the Financial Statements

Opinion

We have audited the financial statements of Teknosa İç ve Dış Ticaret Anonim Şirketi ("the Company"), which comprise the statement of financial position as at 31 December 2021, the statements of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2021, and its financial performance and its cash flows for the year then ended in accordance with Turkish Financial Reporting Standards ("TFRS").

Basis for Opinion

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

Key Audit Matters

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

Revenue recognition and accounting of revenues from suppliers

Refer to Note 2.4 to the financial statements for summary of significant accounting policies and significant accounting estimates and assumptions for revenue recognition and accounting of revenues from suppliers.

The key audit matter	How the matter was addressed in audit
The Company's main revenue items include sales of technology products through stores and its website, sales of air conditioners and refrigerators through its dealer network, and turnover premiums and similar revenues from its suppliers. There exist inherent control risk related to the accuracy of retail sales revenue recognized in the financial due to the processing of large volumes of data in invoice process. The turnover premium and other incomes of the Company generated from the suppliers are based on the criteria agreed with those suppliers. The contents of these revenues consist of commitments related to purchase amounts, promotion and marketing activities and various discount types. These commitments may vary depending on the period and may vary by periods for the total of purchases made during that period or for some products within those purchases. These revenues are recognized in proportion to the realization of the transactions agreed with the suppliers of the Company. Therefore, the Company's retail sales revenues and revenues from its suppliers has been an one of focus area in our audit.	*Audit procedures which has been carried out for retail sales (store and e-commerce) includes the followings:* - Assessing the compliance of the Company's accounting policy with respect to accounting for revenue in accordance with TFRS 15 and the adequacy of disclosures related to the Company's revenue; - Assessing, with the assistance of our internal information technology ("IT") specialists, the design, implementation and operating effectiveness of the below controls; - Internal IT controls over the completeness and accuracy of pricing and billing process and the end-to-end reconciliation controls from pricing and billing process to the accounting system; - Testing the integration of IT infrastructure of cashier system and accounting system; - Reconciliation of retail sales revenues recognized throughout the year with cash and credit card collections verified from relevant bank documents;

	- Substantive testing on a sample of non-systematic adjustments which are outside of the normal billing process and therefore carry higher levels of management judgment; - Evaluation of journal entries which has high risk of material misstatement that the Company has accounted for during the year. *Audit procedures which has been carried out for dealer sales includes the followings:* - Controlling the sales transactions, on a sample basis, from the relevant order forms, invoices and good receipt notes in order to test revenue from dealer sales included in the financial statements in the reporting period - Testing, on a sample basis, sales returns accepted through to the year end 2021 in order to assess whether the sales returns are accounted in the correct financial period; - Testing, on a sample basis, sales returns accepted subsequent to the year end in order to assess whether the sales returns are accounted in the correct financial period; *Audit procedures which has been carried out for dealer sales includes the followings:* - Examining the fulfillment of contract conditions, turnover premium rates and relevant conditions for significant turnover premiums income in order to verify that turnover premiums income received from suppliers are accounted in compliance with the correspondences with the suppliers. Also controlling those turnover premiums income whether it has been accounted in the correct amount and in the correct period and testing IT internal controls regarding the completeness and accuracy of pricing and billing for purchases, and performing end-to-end reconciliation checks between pricing and billing systems and accounting systems;

	-Controlling the subsequent period realizations (invoices) of turnover premiums income recognized as accruals; - Verification of current accounts related to the suppliers, which a significant portion of turnover premiums income are generated, through external confirmations.

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Responsibilities of auditors in an audit are as follows:

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

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

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

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

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

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

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

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

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

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

B) Other Legal and Regulatory Requirements

1) Pursuant to the fourth paragraph of Article 398 of Turkish Commercial Code ("TCC") numbered 6102; the Independent Auditor's Report on System and Committee of Early Identification of Risks is presented to the Board of Directors of the Company on 16 February 2022.

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

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

KPMG Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi

T.C.

Ruşen Fikret Selamet, SMMM
Partner
16 February 2022
İstanbul, Turkey

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

ASSETS	Notes	Current period *Audited* 31 December 2021	Prior period *Audited* 31 December 2020
Current assets			
Cash and cash equivalents	5	709.408	392.201
Trade receivables	7	155.925	103.297
Trade receivables from related parties	*4,7*	*18.609*	*14.883*
Trade receivables from third parties	*7*	*137.316*	*88.414*
Inventories	9	1.719.160	1.056.528
Prepaid expenses	10	9.150	8.468
Derivatives	25	575	--
Other current assets	18	29.316	4.947
Total current assets		**2.623.534**	**1.565.441**
Non-current assets			
Other receivables	8	612	571
Investment property	12	35.160	29.610
Right of use assets	11	166.367	219.710
Property, plant and equipment	13	84.171	60.462
Intangible assets	14	50.213	39.642
Prepaid expenses	10	3.753	49
Deferred tax assets	26	37.286	45.165
Total non-current assets		**377.562**	**395.209**
TOTAL ASSETS		**3.001.096**	**1.960.650**

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

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

		Current period	Prior period
		Audited	*Audited*
LIABILITIES	**Notes**	**31 December 2021**	**31 December 2020**
Current liabilities			
Short-term loans and borrowings	6	--	370.058
Short portion of long-term lease liabilities	6	96.062	98.406
-Short portion of long-term lease liabilities to related parties	*4*	*1.952*	*1.392*
-Short portion of long-term lease liabilities to third parties		*94.110*	*97.014*
Trade payables	7	2.428.265	1.386.364
-Trade payables to related parties	*4*	*12.845*	*6.578*
-Trade payables to third parties	*7*	*2.415.420*	*1.379.786*
Payables related to employee benefits	15	29.928	14.058
Other payables	8	5.153	2.913
-Other payables to third parties		*5.153*	*2.913*
Deferred revenue	10	32.074	23.713
Short-term provisions		33.357	28.921
-Short-term provisions for employee benefits	*15*	*19.102*	*18.966*
-Other short-term provisions	*16*	*14.255*	*9.955*
Other current liabilities	18	2.117	19.546
Total current liabilities		**2.626.956**	**1.943.979**
Non-current liabilities			
Long-term lease liabilities	6	113.071	168.000
-Long-term lease liabilities to related parties	*4*	*746*	*2.347*
-Long-term lease liabilities to third parties		*112.325*	*165.653*
Long-term provisions for employee benefits	15	18.087	14.217
Total non-current liabilities		**131.158**	**182.217**
Total liabilities		**2.758.114**	**2.126.196**
EQUITY			
Share capital	19	201.000	110.000
Adjustments to share capital	19	6.628	6.628
Restricted reserves	19	8.704	8.704
Other reserves		3	3
Share premiums	19	184.655	--
Other comprehensive income or expense items that will not be reclassified to profit or loss		25.855	24.877
-Losses on remeasurement of defined benefit plans	*19*	*(8.510)*	*(6.244)*
-Gains on revaluation of property, plant and equipment	*19*	*34.365*	*31.121*
Other comprehensive income that are or may be reclassified to profit or loss		431	--
-Cash flow hedge reserve	*19*	*431*	--
Accumulated losses		(315.758)	(401.054)
Net profit for the period		131.464	85.296
Total Equity		**242.982**	**(165.546)**
TOTAL LIABILITIES AND EQUITY		**3.001.096**	**1.960.650**

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

TEKNOSA İÇ VE DIŞ TİCARET ANONİM ŞİRKETİ
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Notes	Current period *Audited* 1 January - 31 December 2021	Prior period *Audited* 1 January - 31 December 2020
Revenue	20	7.520.079	5.606.519
Cost of revenue (-)	20	(6.253.253)	(4.675.836)
GROSS PROFIT		**1.266.826**	**930.683**
Marketing expenses (-)	21	(642.973)	(512.128)
General administrative expenses (-)	21	(85.113)	(66.910)
Other income from operating activities	22	85.494	72.470
Other expenses from operating activities (-)	22	(256.546)	(114.337)
RESULTS FROM OPERATING ACTIVITIES		**367.688**	**309.778**
Income from investing activities	23	20.070	12.457
Expenses from investing activities (-)	23	(632)	(2.898)
Impairment profit / (loss) and reversals of impairment losses in accordance with TFRS 9		10	(273)
OPERATING PROFIT BEFORE FINANCE COSTS		**387.136**	**319.064**
Finance income	24	18.126	6.881
Finance costs (-)	24	(265.856)	(214.737)
OPERATING PROFIT BEFORE INCOME TAX		**139.406**	**111.208**
Tax expense		**(7.942)**	**(25.912)**
- Deferred tax expense	26	(7.942)	(25.912)
PROFIT FOR THE PERIOD		**131.464**	**85.296**
Attributable to:			
Owners of the Company		**131.464**	**85.296**
Non-controlling interests		--	--
OTHER COMPREHENSIVE INCOME / (EXPENSE)			
Items that will not be reclassified to profit or loss		**978**	**1.010**
Losses on remeasurement of defined benefit plans		(2.834)	(2.452)
Gains on revaluation of property, plant and equipment		3.605	3.302
Income tax related to items that will not be reclassified to profit or loss	26	207	160
Items that are or may be reclassified to profit or loss		**431**	--
Gains on cash flow hedges losses and profits	*25*	575	--
Income tax related to items that are or may be reclassified to profit or loss	26	(144)	--
TOTAL OTHER COMPREHENSIVE INCOME		**1.409**	**1.010**
TOTAL COMPREHENSIVE INCOME		**132.873**	**86.306**
Earnings per share [(For 1 lot share)]	27	0,0083	0,0078
Diluted earnings per share [(For 1 lot share)]	27	0,0083	0,0078

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

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2021

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

						Other comprehensive income that will not be reclassified to profit or loss		Other comprehensive income that are or may be reclassified to profit or loss	Retained earnings/ (Accumulated losses)		
(NOTE 19)	**Share capital**	**Adjustments to share capital**	**Restricted reserves**	**Other reserves**	**Share premiums**	**Losses on remeasurement of defined benefit plans**	**Gains on revaluation of property, plant and equipment**	**Hedging reserves**	**Prior years' losses**	**Net profit / (Loss) for the period**	**Total Equity**
Prior period											
Balance at 1 January 2020	110.000	6.628	8.704	3	--	(4.282)	28.149	--	(252.420)	(148.634)	(251.852)
Transfers	--	--	--	--	--	--	--	--	(148.634)	148.634	--
Total comprehensive income	--	--	--	--	--	(1.962)	2.972	--	--	85.296	86.306
Balance at 31 December 2020	**110.000**	**6.628**	**8.704**	**3**	--	**(6.244)**	**31.121**	**--**	**(401.054)**	**85.296**	**(165.546)**
Current period											
Balance at 1 January 2021	110.000	6.628	8.704	3	--	(6.244)	31.121	--	(401.054)	85.296	(165.546)
Capital increase	91.000	--	--	--	184.655	--	--	--	--	--	275.655
Transfers	--	--	--	--	--	--	--	--	85.296	(85.296)	--
Total comprehensive income	--	--	--	--	--	(2.266)	3.244	431	--	131.464	132.873
Balance at 31 December 2021	**201.000**	**6.628**	**8.704**	**3**	**184.655**	**(8.510)**	**34.365**	**431**	**(315.758)**	**131.464**	**242.982**

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

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2021

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

	Notes	*Current period* **Audited 1 January – 31 December 2021**	*Prior period* **Audited 1 January – 31 December 2020**
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period		131.464	85.296
Adjustments:			
Adjustments for finance costs	24	247.730	207.856
Adjustments for depreciation and amortisation expenses	21	141.865	118.814
Adjustments for impairment of receivables	7	(10)	273
Adjustments for (reversal of)/provision for other provisions		8.019	360
Adjustments for (reversal of)/impairment of property, plant and equipment and intangible assets	12,13	(5.891)	(2.295)
Adjustments for (reversal of)/impairment of inventory	9	(1.701)	680
Adjustments for provision for employee benefits		10.297	15.377
Adjustments for interest income	23	(14.021)	(12.024)
Adjustments for tax expense/(income)	26	7.942	25.912
Adjustments for the (gains)/losses on sale of property, plant and equipment	23	133	2.853
		525.827	**443.102**
Changes in working capital:			
Decrease/(increase) in trade receivables from third parties		(48.892)	(23.002)
Decrease in trade receivables from related parties	4	(3.726)	(14.206)
Decrease/(increase) in inventories	9	(660.931)	(197.080)
Decrease/(increase) in other assets related to operations		(78.306)	32.473
Decrease/(increase) in trade payables to third parties	7	1.035.634	152.621
Decrease/(increase) in trade payables to related parties	4,7	6.267	1.103
Change in other liabilities related to operations		43.814	(27.541)
Payments related to provisions for employee benefits	15	(9.125)	(2.334)
Payments related to other provisions		(3.719)	(904)
Cash provided by operating activities		**806.843**	**364.232**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment	13	(55.276)	(22.268)
Acquisition of intangible assets	14	(15.336)	(15.837)
Proceeds from sale of property, plant and equipment and intangible assets		565	703
Interest received	23	14.021	12.024
Cash used in investing activities		**(56.026)**	**(25.378)**
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Other financing cost paid		(177.524)	(109.637)
Payments for lease liabilities	6	(138.913)	(102.022)
Proceeds from bank borrowings	6	127.500	255.000
Repayments of bank borrowings	6	(534.136)	(32.115)
Cash inflows from capital increase	19	91.000	--
Cash inflows from share premium	19	184.655	--
Cash (used in)/provided from financing activities		**(447.418)**	**11.226**
NET DECREASE/INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		**303.399**	**350.080**
The effect of changes in foreign exchange rates on cash and cash equivalents in foreign currency		13.808	4.854
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	**5**	**392.201**	**37.267**
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)	**5**	**709.408**	**392.201**

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

NOTE 1 – ORGANISATION AND NATURE OF OPERATIONS

Teknosa İç ve Dış Ticaret Anonim Şirketi, ("Teknosa" or "the Company") was established on 3 March 2000, and is engaged in retail sales of consumer electronics through its stores and website www.teknosa.com and air conditioners and white goods through its dealers. The Company's main shareholder is Hacı Ömer Sabancı Holding A.Ş. As at 31 December 2021, number of personnel of the Company is 2.303 (31 December 2020: 2.337). The Company is registered in Turkey and operates under the laws and regulations of Turkish Commercial Code.

In accordance with the resolution of the Board of Directors dated 6 April 2016, the Company merged with Kliksa İç ve Dış Ticaret Anonim Şirketi ("Kliksa") which was 100% subsidiary of the Company in the previous periods through dissolving without liquidation by transferring all of its assets and liabilities fully as at 1 June 2016.

The Company operates in Turkey in 198 stores with 101.574 square meters retail space as at 31 December 2021 (31 December 2020: 96.879 square meters, 211 stores). The registered office address of the Company is as follows:

Carrefoursa Plaza Cevizli Mahallesi. Tugay Yolu Caddesi No:67 Blok:B Maltepe - İstanbul

The Company's shares have been traded on Borsa Istanbul since 2012.

NOTE 2 – BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

2.1 Basis of presentation

(i) Statement of compliance

The accompanying financial statements are prepared in accordance with Turkish Financial Reporting Standards ("TFRS") published by Public Oversight Accounting and Auditing Standards Authority ("POA") as set out in the Communiqué numbered II-14.1 "Communiqué on Principles of Financial Reporting in Capital Markets" published in the Official Gazette numbered 28676 on 13 June 2013. TFRSs published by POA consist of standards and interpretations which are Turkish Accounting Standards ("TAS"), Turkish Financial Reporting Standards, interpretations of TAS and interpretations of TFRS.

The financial statements are presented in accordance with the TFRS Taxonomy developed based on the Illustrative Financial Statements and User Guide published in the Official Gazette numbered 30794 on 7 June 2019.

Approval of financial statements:

The financial statements are approved by the Company's Board of Directors on 16 February 2022. The General Assembly of the Company has the right to amend and relevant regulatory bodies have the right to request the amendment of these financial statements.

(ii) Basis of measurement

The financial statements have been prepared on historical cost basis except for revaluation of land, building, investment properties measured at fair value and derivatives. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The financial statements are prepared by reflecting the necessary corrections and classifications to the legal records prepared on the basis of historical cost, in order to make the right presentation in accordance with TFRS.

(iii) Presentation and functional currency

These financial statements are presented in Turkish Lira ("TL"), which is the valid currency of the Company. Unless otherwise stated, all financial information presented in TL has been rounded to the nearest thousand TL.

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

2.1 Basis of presentation (Contiuned)

(iv) Preparation of financial statements in hyperinflationary periods

Pursuant to the announcement made by the POA on 20 January 2022, since the cumulative change in the general purchasing power of the last three years according to the Consumer Price Index ("CPI") is 74.41%, for companies applying TFRS's in 2021, it was stated that they would not need to make any adjustments in financial statements within the scope of the "TAS 29 In High Inflation Economies" . As a result of this, no inflation adjustment was made in accordance with TAS 29 while preparing the financial statements as of 31 December 2021.

(v) Comparative information and reclassifications of the prior periods' financial statements

The financial statements of the Company have been prepared comparatively with the prior year in order to give information about financial position and performance. If the presentation or classification of the financial statements is changed, in order to maintain consistency, financial statements of the prior periods are also reclassified in line with the related changes with respective disclosures for the major differences. The Company has not made reclassifications on prior period financial statements.

2.2 Changes in significant accounting policies

Accounting policies are applied consistently in all periods presented in the financial statements. Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated.

While preparing the financial statements of 31 December 2021, there is no change in the Company's accounting policies.

2.3 Changes in estimates and error

If the changes in accounting estimates are related with a period, they are applied in the period they are related with and if the changes are related with the future periods, they are applied both in the period the change is made and prospectively in the future periods.

The Company has no significant changes in the accounting estimates as at and for year ended 31 December 2021 compared to those used in previous year.

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

2.4 Summary of Significant Accounting Policies

The accounting policies described below have been applied consistently by the company in all periods presented in the financial statements.

Inventories and cost of goods sold

Inventories are valued at the lower of cost or net realizable value. Cost elements included in inventory are purchase costs and other transportation costs necessary to prepare the asset for its intended use. Cost is determined by the weighted average method. Costs related to the shipment of the inventories from main warehouse and the region warehouses to the stores are booked as expense.Net realizable value is the estimated selling price in the ordinary course of business, less the selling expenses (Note 9).

Benefits obtained from suppliers in the normal course of business, such as rebates, stock protection and similar benefits are deducted from the cost of the related inventory item and are associated with cost of goods sold.

Volume Rebates: Represent the premiums received from suppliers based on the purchases made by the Company.

Stock Protection: Stock protection is charged to suppliers in order to increase the sales performance of the older versions of certain products when newer versions are introduced.

Sales Support Premiums: The Company receives sales support premiums depending on the sales performance on certain days for certain products.

Investment property

Investment property is initially measured at cost and subsequently at fair value with any change therein recognised in profit or loss.

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.(Note 12)

Rental income from investment property is recognised as other revenue on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

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

2.4 Summary of Significant Accounting Policies (Continued)

Property, plant and equipment and depreciation

Recognition and measurement

Property, plant and equipment except for lands and building are measured at cost less accumulated depreciation and impairment losses.

The Company has opted for the option of measuring the land and buildings in the tangible fixed assets by revaluation method. The Company has recognized the increase in the book value of the plants and buildings, which it chose to measure with the revaluation model, as a result of the revaluation in the other comprehensive income in the "Fixed Asset Revaluation Increases" account group. The revalued amount is the fair value at the revaluation date, less accumulated depreciation and subsequent accumulated impairment losses.

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

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the derecognition of an item of property, plant and equipment is included in net income / loss and defined as the difference between the sales price and the carrying amount.If the recognized value of an asset is more than its estimated recoverable value, the recognized value of the asset is reduced to its recoverable value.

Subsequent expenditure

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Company.

Depreciation

Property, plant and equipment measured by revaluation model are depreciated as of the day they are currently available.

Depreciation is calculated to write off the cost of items of property, plant and equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss. Property, plant and equipment except for land are depreciated on a straight-line basis.

The useful lives for property, plant and equipment are as follows:

- Buildings 50 years
- Vehicles 5 years
- Machinery and equipments 4-15 years
- Furniture and fixtures 5-10 years
- Leasehold improvements 5-10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

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

2.4 Summary of Significant Accounting Policies (Continued)

Intangible assets

Recognition and measurement

Intangible assets acquired by the company that have a certain useful life include licenses and rights and computer software. Intangible assets are measured by deducting accumulated amortization and accumulated impairment losses, if any.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives are as follows:

- Licences, rights and computer software 3-15 years.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Financial Instruments

i) Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value Through the Statement of Profit or Loss (FVTPL) , transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified as measured at: amortised cost; Fair Value Through the statement of Other Comprehensive Income (FVOCI) – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in this case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

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

2.4 Summary of Significant Accounting Policies (Continued)

Financial Instruments (Continued)

ii) Classification and subsequent measurement (Continued)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets- Assessment of the business model

The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- the purpose of the business model; manage daily liquidity needs, maintain a certain interest rate, or align the maturity of financial assets with the maturity of the debts that fund these assets;
- how the performance of the portfolio is evaluated and reported to the Company's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how these risks are managed;
- how managers of the business are compensated – e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Company's continuing recognition of the assets.

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

2.4 Summary of Significant Accounting Policies (Continued)

Financial Instruments (Continued)

ii) Classification and subsequent measurement (Continued)

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. When making this assessment, the Company considers:

- contingent events that would change the amount or timing of contractual cash flows (i.e. trigger event);
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and the opportunity to extend the maturity features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable compensation for early termination of the contract.

Additionally, (i) for a financial asset acquired at a discount or premium to its contractual par amount, (ii) a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest and (iii) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Financial assets – Subsequent measurement and gains and losses

Financial Assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in profit or loss. For derivatives defined as hedging instruments, see "Derivative financial instruments and hedge accounting" below.
Financial Assets at Amortisized Cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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

2.4 Summary of Significant Accounting Policies (Continued)

Financial Instruments (Continued)

ii) Classification and subsequent measurement (Continued)

Financial liabilities - Classification, subsequent measurement, gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Company enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The company also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offseting the financial assets and liabilities

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

Derivative financial instruments and hedge accounting

The Company holds derivative financial instruments to hedge its foreign currency risk. Derivatives are initially measured at fair value. The Company defines derivative instruments as hedging instruments to protect the variability in cash flows related to highly probable forecast transactions arising from changes in exchange rates.

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

2.4 Summary of Significant Accounting Policies (Continued)

ii) Classification and subsequent measurement (Continued)

Derivative financial instruments and hedge accounting (Continued)

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and accumulated in the hedging reserve. Any ineffective portion of changes in the fair value of the derivative is recognised directly in profit or loss. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge.

Impairment of assets

Non-derivative financial assets

Financial instruments and contract assets

The Company recognises loss allowances for expected credit losses (ECL) on:

- Financial assets measured at amortized cost;
- Debt investments measured at FVOCI; and
- Contract assets

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The Company has chosen lifetime ECL's to measure the impairment of trade receivables and contract assets.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment, that includes forward-looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when;

- The debtor is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due

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

2.4 Summary of Significant Accounting Policies (Continued)

Impairment of assets (Continued)

Non-derivative financial assets (continued)

Financial instruments and contract assets (continued)

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

Cash deficit is the difference between the cash flows that must be made to the business according to the contract and the cash flows that the business expects to receive. Since the amount and timing of the payments are taken into consideration in the expected credit losses, a credit loss occurs even if the company expects to receive the entire payment late than the term specified in the contract.

ECL's are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.
Evidence that a financial asset is credit-impaired includes the following observable data:

– significant financial difficulty of the debtor or issuer;
– a breach of contract such as a default or being more than 90 days past due;
– the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
– it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
– the disappearance of an active market for a security because of financial difficulties.

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

2.4 Summary of Significant Accounting Policies (Continued)

Impairment of assets (Continued)

Non-derivative financial assets (continued)

Financial instruments and contract assets (continued)

Presentation of impairment

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

Impairment losses for trade and other receivables are shown as a separate item in the statement of profit or loss.

Write-off

In the absence of reasonable expectations regarding the partial or complete recovery of the value of a financial asset, the entity directly deducting the gross book value of the financial asset. Write-off is a reason for derecognition.

Non-financial assets

At each reporting date, the Company reviews the carrying amounts of its non-financial assets (other than biological assets, investment property, inventories, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Goodwill is tested annually for impairment.

The Company reviews the book value of its tangible and intangible assets to determine whether there are impairments in each reporting period and subordinates its stores to impairment tests for certain periods during the year and records the portion of cash generating unit exceeding the recoverable value of the recognited value as impairment loss.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs. Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

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

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

2.4 Summary of Significant Accounting Policies (Continued)

Impairment of assets (Continued)

Non-financial assets (continued)

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

On the other hand, the Company management recognises impairment provisions for the tangible assets of the stores that are expected to be closed as of the end of the reporting period.

Leases

At the beginning of the contract, the company determines whether the contract is a lease contract or not. If the contract delegates the right to control the use of the asset defined for a price for a specified period, this contract is a lease contract or includes a lease. The Company uses the lease definition in TFRS 16 to assess whether a contract provides the right to control the use of a defined asset.

This policy applies to contracts made on or after 1 January 2019.

As a lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

However, for the leases of property the Company has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Company recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

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

2.4 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

As a lessee (Contunied)

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Companys's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Companys's estimate of the amount expected to be payable under a residual value guarantee, if the Company changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and low-value leases

The Company has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Company recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

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

2.4 Summary of Significant Accounting Policies (Continued)

Leases (Continued)

As a lessor

At inception or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Company acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Company considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Company is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Company applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Company applies TFRS 15 to allocate the consideration in the contract.

The Company applies the derecognition and impairment requirements in TFRS 9 to the net investment in the lease. The Company further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

The Company recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

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

2.4 Summary of Significant Accounting Policies (Continued)

Provisions, contingent assets and liabilities

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

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

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

Taxes on corporate income

Tax expense comprises current and deferred tax.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Tax rates that are in effect or about to enter into force as of the end of the reporting period are taken into account. The current tax liability also includes tax liabilities arising from dividend distribution notifications. The deduction of current tax assets and liabilities can only be made when certain conditions are met.

Deferred tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases which are used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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

2.4 Summary of Significant Accounting Policies (Continued)

Tax (Continued)

Deferred tax (continued)

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 arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to 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 end of the reporting period. 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 income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority and are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities.

Current and deferred tax for the period

Current and deferred tax are recognized as in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity.

Employee benefits

Retirement pay provision

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Company. Such payments are considered as being part of defined retirement benefit plan as per Turkish Accounting Standard No. 19 "Employee Benefits" ("TAS 19").

Provision for employment termination benefits represents the present value of the estimated total provision of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labour Law. All calculated actuarial gains and losses are accounted for under other comprehensive income (Note 15).

Earnings / (losses) per share

Earnings per share disclosed in the statement of comprehensive income are determined by dividing net income by the weighted average number of shares that have been outstanding during the related period concerned (Note 27). In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings. For the purpose of earnings per share computations, the weighted average number of shares outstanding during the year has been adjusted in respect of bonus shares issued without a corresponding change in resources by giving them retroactive effect for the year in which they were issued and for each earlier period.

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

2.4 Summary of Significant Accounting Policies (Continued)

Foreign currency transactions

Foreign currency transactions during the period have been translated at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated into Turkish Lira at the exchange rates prevailing at the balance sheet dates. Exchange gains or losses arising from the settlement and translation of foreign currency items have been included in the statement of profit or loss.

Finance income and finance expenses

Finance income consists of exchange rate gains from foreign currency deposits, which is part of the cycle used for financing purposes.

Finance expenses include interest expenses on bank loans, credit cards and guarantee letter commission fees, exchange rate loss on financial assets and liabilities (except trade receivables and payables). Borrowing costs that cannot be directly associated with the acquisition, construction or production of an asset are recognized for in profit or loss using the effective interest rate.

Interest income is recognised for using the effective interest method. Interest income 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 below:

Foreign exchange income and expenses on financial assets and liabilities (other than trade receivables and payables) are reported net in finance income or finance expenses according to the net position of the foreign exchange movements.

Other income and expenses from operating activities

Other operating income consists of interest income, concessions on lease payments, income from from personnel, reversal of provisions for cancellation of rent agreements and foreign exchange income from monetary financial assets and liabilities other than debt instruments, and income from other activities.

Other operating expenses consist of maturity difference expenses, litigation expenses, foreign exchange expenses arising from monetary financial assets and liabilities other than debt instruments, and expenses related to other activities.

Income and expenses from investment activities

Income from investment activities consists of interest income from deposits, profit from sales of fixed assets and fair value increase of investment properties.

Expenses from investment activities consist of losses from sales of fixed assets.

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

2.4 Summary of Significant Accounting Policies (Continued)

Revenue recognition

General model for accounting of revenue

In accordance with TFRS 15, a five-stage approach is followed in recognizing revenue for all contracts with customers.

Step 1: Identify the contract with a customer

A contract with a customer is in the scope of the new standard when the contract is legally enforceable and certain criteria are met. If the criteria are not met, then the contract does not exist for purposes of applying the general model of the new standard, and any consideration received from the customer is generally recognized as a deposit (liability).

Contracts entered into at or near the same time with the same customer (or a related party of the customer) are combined and treated as a single contract when certain criteria are met.

Step 2: Identify the performance obligations in the contract

The Company defines 'performance obligation' as a unit of account for revenue recognition. The Company assesses the goods or services promised in a contract with a customer and identifies as a performance obligation either a:

(a) good or service (or a bundle of goods or services) that is distinct; or

(b) series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

An entity may define a contract or a service separately from other contractual obligations and define it as a different commodity or service if the customer makes use of such goods or services alone or in combination with other resources available for use. A single contract may contain promises to deliver to the customer more than one good or service. At contract inception, an entity evaluates the promised goods or services to determine which goods or services (or bundle of goods or services) are distinct and therefore constitute performance obligations.

Step 3: Determine the transaction price

When determining the transaction price, an entity assumes that the goods or services will be transferred to the customer based on the terms of the existing contract. In determining the transaction price, an entity considers variables considerations and significant financing components.

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

2.4 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

General model for accounting of revenue (Continued)

Significant financing component

To estimate the transaction price in a contract, the Company adjusts the promised amount of consideration to reflect the time value of money if the contract contains a significant financing component. Significant financing component exists if the timing of payments agreed to by the parties to the contract (either explicitly or implicitly) provides the customer or the Company with a significant benefit of financing the transfer of goods or services to the customer. The Company does not have sales transactions which includes significant financing component. The Company considers that the period between the fulfillment of the obligation and the payment never exceed 12 months, in cases where the obligations fulfilled during the period and the advances received and the payment schedule are broadly compatible.

Variable consideration

An entity assesses whether discounts, rebates, refunds, rights of return, credits, price concessions, incentives, performance bonuses, penalties, or similar items may result in variable consideration.

Step 4: Allocate the transaction price to the performance obligations in the contract

If distinct goods or services are delivered under a single arrangement, then the consideration is allocated based on relative stand-alone selling prices of the distinct goods or services (performance obligations). If directly observable stand-alone selling prices are not available, the total consideration in the service contracts is allocated based on their expected cost plus a margin.

Step 5: Recognize revenue when or as the entity satisfies a performance obligation

An entity recognizes revenue over time when one of the following criterias are met:

- The customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs
- The entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced
- The entity's performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date

For each performance obligation that is satisfied over time, an entity applies a single method of measuring progress toward complete satisfaction of the obligation. The objective is to depict the transfer of control of the goods or services to the customer. To do this, an entity selects an appropriate output or input method. It then applies that method consistently to similar performance obligations and in similar circumstances.

If a performance obligation is not fulfilled in time, then the Company recognizes revenue when the control of goods or services is transferred to the customer.

In cases where the cost to be incurred by the Company exceeding the expected economic benefits to be incurred to fulfill the contractual obligations exceeds the expected economic benefit, the Company provides a provision in accordance with TAS 37 Provisions, Contingent Liabilities and Contingent Assets.

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

2.4 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

General model for accounting of revenue (Continued)

Contract modifications

The Company recognizes a contract modification as a separate contract if the modification results in a promise to deliver additional goods or services. If the goods or services are distinct, then the entity accounts for the modification as if it were a termination of the existing contract and the creation of a new contract. If the modification to the contract does not add distinct goods or services, then the entity accounts for it on a combined basis with the original contract, as if the additional goods or services were part of the initial contract.

i) Retail sales revenues

The Company's retail sales revenue is recognized when a customer obtains control of the goods. Determining the timing of the transfer of control – at a point in time or over time – requires judgment. Since the Company generally carries out retail sales with cash or credit cards and customers obtain control of the goods as sales are realized, revenue is recognized at the time of sale. In case of the control period does not occur at the same time, revenue is recognized as revenue in the following period.

The revenues generated by the Company through the dealer network (Iklimsa) are recognized as revenue when the dealers gain control of the related good. In cases where the control transfer does not occur at the same time, income is recognized as revenue in the following period. The company performs dealer sales generally in exchange for cash, credit sales, secured check, and transfer of control transfer to the dealers.

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

2.4 Summary of Significant Accounting Policies (Continued)

Revenue recognition (Continued)

ii) Turnover premiums and supplier discounts

The Company turnover premiums income from supplier contracts and supplier discounts are accounted for an accrual basis in the period of the Company benefits from premiums and deductions with the cost of goods sold.

iii) Customer gift checks

Gift vouchers sold by the Company to its customers are classified under other current liabilities section as deferred revenue. Moreover, gift vouchers are recorded as income as they are used by the customers.

Related gift vouchers are used by the customer, related amount which is classified as deferred income, is recorded as sales revenue. The Company recognizes income from the gift checks by estimating the portion which will not be used by the customers based on the historic data. Gift vouchers that are not expected to be used by the customers are classified under deferred revenue in the financial statements.

Warranty expenses and provisions

Provision for warranty expenses for the air-conditioners for which the warranty liability belongs to the Company is calculated based on statistical information for possible future warranty services. The warranty liability for the consumer electronics retail sales of the Company belongs to the manufacturer or to the importer companies. On the other hand, there is no significant liability of the Company for the extended warranty period.

Segment reporting

The management has determined the operating segments based on the reports used in taking strategic decisions by the Board of Directors and the executive committee (includes general manager and the assistant general managers).The executive committee evaluates the business in terms of business unit on the basis of retail and dealer (İklimsa) group.

The Board of Directors and the executive committee monitor the performance of the operating segments based on a measure of adjusted Earnings Before Interest, Tax, Employment Termination Benefits, Impairment profit / (loss) and Reversals of Impairment Losses in Accordance with TFRS 9, Other Expenses From Operating Activities, Depreciation and Amortization ("Adjusted EBITDA")

This measurement of the operating segments does not consider the effects of nonrecurring income and expenses. Interest income and expenses are not allocated to operating segments since they are monitored by the central treasury department of the Company. Adjusted EBITDA is not a measure of operating income, operating performance or liquidity under CMB Financial Reporting Standards. The Company presented Adjusted EBITDA in the notes to the financial statements besides the requirements of segment reporting since it is used by certain readers in their analyses (Note 3).

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

2.4 Summary of Significant Accounting Policies (Continued)

Share capital

Ordinary Shares

Transaction costs arising from equity transactions are deducted from the relevant equity item. Income taxes on distributions to owners of equity instruments and transaction costs from equity transactions are accounted for in accordance with TAS 12.

Related parties

Parties are considered related to the Company if:

(a) directly, or indirectly through one or more intermediaries, the party:

(i) controls, is controlled by, or is under common control with the Company (this includes parent, subsidiaries and fellow subsidiaries);

(ii) has an interest in the Company that gives it significant influence over the Company; or

(iii) has joint control over the Company;

(b) the party is an associate of the Company;

(c) the party is a joint venture in which the Company is a venturer;

(d) the party is member of the key management personnel of the Company and its parent;

(e) the party is a close member of the family of any individual referred to in (a) or (d);

(f) the party is an entity that is controlled or significantly influenced by, or for which significant voting power in such entity resides with directly or indirectly, any individual referred to in (d) or (e);

(g) the party is a post-employment benefit plan for the benefit of employees of the Company, or of any entity that is a related party of the Company.

Events after the reporting period

It refers to the events occurring in favor of or against the Company between the reporting date and the date of authorization for the publication of the financial statements.

- there is new evidence that events exist at the reporting date; and
- there is evidence to show that the relevant events occurred after the reporting date(events after the reporting period which is not require to ajust)

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

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

2.5 Standards and interpretations issued but not yet effective and not early adopted as at 31 December 2021

Standards issued but not yet effective and not early adopted

New standards, comments and amendments that have been published as of the reporting date but have not yet come into effect and are allowed to be implemented early but are not implemented early by the company are as follows.

COVID-19-Related Rent Concessions beyond 30 June 2021 (TFRS 16 amendment)

International Standard Board(IASB) has extended the practical expedient by 12 months – permitting lessees to apply it to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022. The original amendment was issued in May 2020 to make it easier for lessees to account for covid-19-related rent concessions, such as rent holidays and temporary rent reductions, while continuing to provide useful information about their leases to investors. Related changes were published by POA as Amendments to TFRS 16 on June 5, 2020.

The amendment is effective for annual reporting periods beginning on or after 1 April 2021. Lessees are permitted to apply it early, including in financial statements not authorised for issue as of 31 March 2021 the date of publication of this amendment. In other words, if the financial statements for the accounting periods before the date of publication of the amendment have not yet been issued, it is possible to apply this amendment for the relevant financial statements.. The 2021 amendments are applied retrospectively with the cumulative effect of initially applying it being recognised in opening retained earnings.

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

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

Reference to the Conceptual Framework (Amendments to TFRS 3)

In May 2020, IASB issued Reference to the Conceptual Framework, which made amendments to IFRS 3 Business Combinations.

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

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

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

2.5 Standards and interpretations issued but not yet effective and not early adopted as at 31 December 2021 (Continued)

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

In May 2020, IASB issued Property, Plant and Equipment—Proceeds before Intended Use, which made amendments to IAS 16 Property, Plant and Equipment.

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

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

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

In May 2020, IASB issued Onerous Contracts—Cost of Fulfilling a Contract, which made amendments to IAS 37 Provisions, Contingent Liabilities and Contingent Assets.

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous. And then, TAS 37 amendment was **issued** on 27 July 2020 by POA to reflect these amendments.

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

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

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

2.5 Standards and interpretations issued but not yet effective and not early adopted as at 31 December 2021 (Continued)

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

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

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

The amendments include:

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

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

(c) Clarifying how lending conditions affect classification; and

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

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

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

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

2.5 Standards and interpretations issued but not yet effective and not early adopted as at 31 December 2021 (Continued)

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

In May 2021 IASB issued *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*, which amended IAS 12 Income Taxes. Related changes were published by POA as Amendments to TAS 12 on 27 August 2021.

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

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

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

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

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

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

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

2.5 Standards and interpretations issued but not yet effective and not early adopted as at 31 December 2021 (Continued)

Definition of Accounting Estimates (Amendments to TAS 8)

The amendments introduce a new definition for accounting estimates: clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty which is issued by IASB on 12 February 2021. Related changes were published by POA as Amendments to TAS 8 on 11 August 2021.

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

Developing an accounting estimate includes both:

- Selecting a measurement technique (estimation or valuation technique) – e.g. an estimation technique used to measure a loss allowance for expected credit losses when applying IFRS 9 Financial Instruments; and
- Choosing the inputs to be used when applying the chosen measurement technique – e.g. the expected cash outflows for determining a provision for warranty obligations when applying TAS 37 Provisions, Contingent Liabilities and Contingent Assets.

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

The amendments are effective for periods beginning on or after 1 January 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the company applies the amendments.

The Company does not expect that application of these amendments to Amendments to TAS 8 will have significant impact on its financial statements.

Disclosure of Accounting Policies (Amendments to TAS 1)

IASB has issued amendments to IAS 1 Presentation of Financial Statements and an update to IFRS Practice Statement 2 Making Materiality Judgements to help companies provide useful accounting policy disclosures on 12 February 2021. Among these amendments, the ones related to TAS 1 were published by POA as Amendments to TAS 1 on 11 August 2021.

The key amendments to TAS 1 include:

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

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

The Company does not expect that application of these amendments to Amendments to TAS 1 will have significant impact on its financial statements.

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

2.5 Standards and interpretations issued but not yet effective and not early adopted as at 31 December 2021 (Continued)

Annual Improvements to TFRS Standards 2018–2020

Improvements to TFRSs

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

TFRS 1 First-time Adoption of International Financial Reporting Standards

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

TFRS 9 Financial Instruments

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

Amendments are effective on 1 January 2021

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

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

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

2.6 Critical judgments and estimates

While preparing the financial statements, the management made judgments, estimates and assumptions affecting the application of the accounting policies of the Company and the amounts of the reported assets, liabilities, income and expenses. Actual amounts may vary from estimated amounts. Estimates and related assumptions are constantly reviewed. Changes made to estimates are recognized prospectively.

The Company management has made the following judgments that have the most significant effect on the amounts recognised in the financial statements.

Useful lives of property and equipment and intangible assets

Items of property and equipment and intangible assets except for land and buildings are measured at cost less accumulated depreciation and impairment losses, if any. Depreciation is recognised on a straight-line basis over the estimated useful lives of each part of an item of property and equipment. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Impairment of property, plant and equipment and intangible assets

The Company assesses at each reporting date to determine whether there is any indication of impairment. If the stores which are operating more than 1 year generates operating profit/ (loss) before income tax lower than the planned performance result, this situation is assessed as an objective evidence for impairment. If any such indication exists, then the asset's recoverable amount is compared with the carrying amount. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell. If the carrying amount of an asset or any cash generating unit that the asset belongs to is higher than its net realizable value, the value of the asset has impaired. Additionally, the Company recognises allowance for impairment for the tangible assets of the stores for which the Company management has expected to close down. The allowance for impairment is calculated with rates applied on the net carrying amount as at the reporting date. The applied rate is 100% for the leasehold improvements and 50% for the equipment. The Company recognised net allowance on property, plant and equipment amounting to TL 271 as at 31 December 2021 (31 December 2020: TL 1.907).(Note 13)

Allowance on inventories

In accordance with the accounting policy, inventories are stated at the net realisable value ("NRV"). The Company measures the products with selling prices lower than its cost at lower of cost or NRV. NRV, is the value after deducting the estimated expenditures to be made to bring the stocks at sale at the estimated selling price.

The Company makes aging analysis for its inventories based on certain date ranges from the acquisition date. Impairment is calculated for the old stock over 180 days with different rates applied for each date range based on the aging analysis as at reporting date. The Company recognised allowance on inventories amounting to TL 14.001 as at 31 December 2021 (31 December 2020: TL 15.702). (Note 9)

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

2.5 Critical judgments and estimates (Contunied)

Deferred tax assets

The Company recognises deferred tax asset or liability in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes in accordance with TAS and the amounts used for taxation purposes. The Company has deferred tax assets arising from carried forward tax losses and other temporary differences deductible from its potential future profits. The Company management estimates the amount of deferred tax assets which is fully and partially recoverable based on the current circumstances and available information. During the assessment, projections of future taxable income, current year and carried forward losses, potential expiration dates for utilisation of tax losses and other tax assets, and tax planning strategies are considered.

Accounting of gift checks

The Company recognises income from the gift checks by estimating the portion which will not be used by the customers based on the historic data. As at 31 December 2021, the amount offset from the deferred revenue from the gift checks recognised in the financial statement is amounting to TL 15.460 (31 December 2020: TL 10.668) (Note 10)

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

NOTE 3 – SEGMENT REPORTING

The Company applies TFRS 8 starting from 1 January 2009 and determined the reportable segments based on the internal management reports which are regularly reviewed by the decision maker.

In order to take the decisions about the allocation of resources to the operating segments and evaluate the performance of these segments, the decision maker reviews the results and the operations by sales channel. The Company's sales channel are as follows: Electronics retail sales, and sales of air conditions and white goods through dealers. These sales are also reviewed as stores and dealers (İklimsa). In addition, assets and liabilities are not included in the segment reporting, since they are not regularly presented to the decision maker and are not reviewed in as a part of segment reporting.

Details of the segment reporting according to the internal management reports are as follows:

	1 January – 31 December 2021		
	Stores and e-commerce	**Dealer Group**	**Total**
Total segment income	7.051.896	468.168	7.520.079
Income from third party customers	**7.051.896**	**468.168**	**7.520.079**
Adjusted EBITDA	**646.241**	**45.238**	**691.479**

	1 January – 31 December 2020		
	Stores and e-commerce	**Dealer Group**	**Total**
Total segment income	5.320.609	285.910	5.606.519
Income from third party customers	**5.320.609**	**285.910**	**5.606.519**
Adjusted EBITDA	**450.087**	**24.509**	**474.596**

	1 January – 31 December 2021	**1 January – 31 December 2020**
Reconciliation of Adjusted EBITDA with profit before taxes:	**691.479**	**474.596**
Depreciation and amortisation expenses	(141.865)	(118.814)
Finance income /(costs), net	(247.730)	(207.856)
Income/(expenses) from investing activities	19.438	9.559
Impairment profit / (loss) and Reversals of Impairment Losses in Accordance with TFRS 9	10	(273)
Other expenses from operating activities, net	(171.052)	(41.867)
Provision for employee termination benefits	(10.874)	(4.137)
Profit/(loss) before tax	**139.406**	**111.208**

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

NOTE 4 – RELATED PARTY DISCLOSURES

The related parties listed below are the companies directly or indirectly controlled by Hacı Ömer Sabancı Holding A.Ş., the parent company of Teknosa or the companies over which Hacı Ömer Sabancı Holding A.Ş. has significant influence.

	31 December 2021	
	Receivables	Payables
	Current	Current
Balances with related parties	**Trading**	**Trading**
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. (*)	15.255	--
Çimsa Çimento San.ve Tic.A.Ş.	1.925	--
Akbank T.A.Ş.	856	--
Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş.	244	--
Temsa Global Sanayi ve Ticaret A.Ş.	129	--
Brisa Bridgestone Sabancı Lastık San.Ve Tic.A.Ş.	126	--
Akçansa Çimento San. ve Tic. A.Ş.	47	--
Aksigorta A.Ş.	17	545
Hacı Ömer Sabancı Holding A.Ş.	10	21
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	--	10.777
Ak Öde Eleketronik	--	27
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	--	1.475
	18.609	**12.845**

	31 December 2020	
	Receivables	Payables
	Current	Current
Balances with related parties	**Trading**	**Trading**
Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş.(*)	14.242	--
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	225	--
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	120	6.155
Akbank T.A.Ş.	92	--
Çimsa Çimento San.ve Tic.A.Ş.	75	--
Hacı Ömer Sabancı Holding A.Ş.	70	53
Ak Finansal Kiralama A.Ş	26	--
Akçansa Çimento San. ve Tic. A.Ş.	15	--
Kordsa Global Endüstriyel İplik ve Kord Bezi San. ve Tic. A.Ş.	10	--
Aksigorta A.Ş.	8	1
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	--	347
Aköde Elektronik Para ve Ödeme Hizmetleri A.Ş.	--	22
	14.883	**6.578**

(*) It consists of receivables related to corner stores opened in Carrefoursa Carrefour Sabancı Ticaret Merkezi A.Ş. stores during the Covid-19 period.

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

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

Deposit accounts in Akbank T.A.Ş.	31 December 2021	31 December 2020
Demand deposit	90.945	8.852
Time deposit	562.412	346.181
	653.357	**355.033**

Credit card receivables in Akbank T.A.Ş.	31 December 2021	31 December 2020
Credit card receivables	9.429	5.043
	9.429	**5.043**

	1 January – 31 December 2021		
Transactions with related parties	**Sale of goods**	**Rent expense**	**Other expenses**
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	44.370	(3.711)	(1.646)
Akbank T.A.Ş.	11.421	--	--
Çimsa Çimento San.ve Tic.A.Ş.	3.047	--	--
Aksigorta A.Ş.	1.622	--	(8.191)
Akçansa Çimento San. ve Tic. A.Ş.	453	--	--
H.Ö. Sabancı Holding A.Ş.	439	--	(203)
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	319	--	--
Kordsa Global End. İplik ve Kordbezi San. A.Ş.	245	--	--
Agesa Hayat ve Emeklilik A.Ş.	191	--	--
Temsa İş Makinaları İmalat Pazarlama ve Satış A.Ş.	120	--	--
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	45	--	(14.737)
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	24	--	(5.707)
Aköde Elektronik Para ve Ödeme Hizmetleri A.Ş.	--	--	(93)
	62.296	**(3.711)**	**(30.577)**

	1 January – 31 December 2020		
Transactions with related parties	**Sale of goods**	**Rent expense**	**Other expenses**
Carrefoursa Carrefour Sabancı Tic. Merkezi A.Ş.	40.436	(3.872)	(900)
Akbank T.A.Ş.	4.141	--	--
Aksigorta A.Ş.	921	--	(3.901)
Akçansa Çimento San. ve Tic. A.Ş.	287	--	--
Kordsa Global End. İplik ve Kordbezi San. A.Ş.	283	--	--
Brisa Bridgestone Sabancı Las. San. ve Tic. A.Ş.	238	--	--
H.Ö. Sabancı Holding A.Ş.	231	--	(162)
Agesa Hayat ve Emeklilik A.Ş.	122	--	--
Çimsa Çimento San.ve Tic.A.Ş.	106	--	--
Sabancı Dijital Teknoloji Hizmetleri A.Ş.	102	--	(14.499)
Enerjisa Enerji A.Ş. ve Bağlı Ortaklıkları	95	--	(4.289)
Ak Finansal Kiralama A.Ş	72	--	--
Aköde Elektronik Para ve Ödeme Hizmetleri A.Ş.	--	--	(22)
	47.034	**(3.872)**	**(23.773)**

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

NOTE 4 – RELATED PARTY DISCLOSURES (Continued)

The details of short and long term rent liabilities to related parties as at 31 December 2021 and 31 December 2020 are as follows:

	31 December 2021	31 December 2020
Short portion of long-term lease liabilities to related parties	1.952	1.392
Long-term lease liabilities to related parties	746	2.347
	2.698	**3.739**

Benefits for the key management personnel

The Company's key management has been identified as the general manager and assistant general managers. Remuneration to key management personnel consists of wages, premiums, pensions, health insurance and life insurance payments. Remunerations of key management personnel for the years ended are as follows:

	1 January – 31 December 2021	1 January – 31 December 2020
Salaries and other benefits	10.500	6.796
	10.500	**6.796**

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

NOTE 5 – CASH AND CASH EQUIVALENTS

The details of cash and cash equivalents as at 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Cash	2.691	2.942
Time deposit	562.412	346.181
Demand deposit	96.225	15.491
Credit card slip receivables	48.080	27.587
	709.408	**392.201**

The Company does not have any blocked deposits as at 31 December 2021 and 31 December 2020.

The details of time deposits, maturity dates and interest rates of the company as at 31 December 2021 and 2020 are as follows:

Currency	Maturity	Interest Rate	31 December 2021
TL	3 January 2022	26,75%	562.000
		Accrual of interest	412
			562.412

Currency	Maturity	Interest Rate	31 December 2020
TL	4 January 2021	19%	346.000
		Accrual of interest	181
			346.181

The Company's exposure to foreign currency risk for cash and cash equivalents are disclosed in Note 28.

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

NOTE 6 – SHORT-TERM LOANS AND BORROWINGS

As of 31 December 2021 the Company does not have short-term bank loans. Short-term bank loans were paid off as of 27 September 2021. The details of loans and borrowings as at 31 December 2020 are as follows:

	31 December 2020			
	Currency	**Interest Rate**	**Amount**	**Maturity**
Bank loans	TL	11%	370.058	6 August 2021
Short term financial liabilities			**370.058**	

The reconciliation of the Company's liabilities arising from bank loans for the accounting periods ending on 31 December 2021 and 2020 is as follows:

	2021	**2020**
Bank borrowings as of 1 January	370.058	105.521
Credit principal entries during the period	127.500	255.000
Interest and principal repayments during the period	(534.136)	(32.115)
Interest expense during the period (including accruals) (Note 24)	36.578	41.652
Bank borrowings as of 31 December	--	**370.058**

The details of lease liabilities as at 31 December 2021 and 31 December 2020 are as follows:

Lease Liabilities	Present value of minimum lease payments	
	31 December 2021	**31 December 2020**
Within one year	117.851	121.049
Less: future finance charges	(21.789)	(22.643)
Present value of lease liabilities	**96.062**	**98.406**
Within two years and after	138.718	206.778
Less: future finance charges	(25.647)	(38.778)
Present value of lease liabilities	**113.071**	**168.000**

The Company's lease liabilities represent the present value of the future payables of the buildings and machinery and equipment that are rented by the third parties through their useful lives.

The reconciliation of the Company's liabilities arising from leasing activities is as follows.

	2021	**2020**
Lease liabilities at 1 January	266.406	357.638
Increase/ (decrease) in lease liabilities during the period	34.204	(50.631)
Lease payments during the period	(138.913)	(102.022)
Interest expense during the period (Note 24)	47.436	61.421
Lease liabilities at 31 December	**209.133**	**266.406**

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES

The details of trade receivables as at 31 December 2021 and 2020 are as follows:

Short term trade receivables

	31 December 2021	31 December 2020
Trade receivables	77.850	58.283
Notes receivables	66.718	37.393
Due from related parties (Note 4)	18.609	14.883
Allowance for doubtful receivables (-)	(7.252)	(7.262)
	155.925	**103.297**

The average maturity of the Company's trade receivables is 1-7 days for retail receivables and 65 days for dealer groups. (31 December 2021: For retail: 1-7 days, 57 days for dealer receivables). As of 31 December 2021, the Company does not apply overdue interest on trade receivables. (31 December 2020: None).

The movement of the allowance for doubtful receivables for the years ended 31 December 2021 and 2020 is as follows:

	2021	2020
As at 1 January	7.262	6.989
Charge for the period	10	332
Reversals	(20)	(59)
As at 31 December	**7.252**	**7.262**

As of 31 December , the Company obtained the collaterals listed below for the checks, notes and trade receivables:

	31 December 2021	31 December 2020
Letters of guarantees received	113.297	67.215
Mortgages	8.772	9.572
	122.069	**76.787**

Fair value of the collaterals which the Company is permitted to sell or re-pledge without the default by the owner of the collateral is TL 122.069 (31 December 2020: TL 76.787).

As at the reporting date, there are not any collaterals or mortgages which are sold or re-pledged by the Company.

The Company's exposure to foreign currency risk, credit risk for short-term trade receivables and payables and the details of impairment are disclosed in Note 28.

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

NOTE 7 - TRADE RECEIVABLES AND PAYABLES (Continued)

Short term trade payables:

	31 December 2021	31 December 2020
Trade payables	2.403.994	1.373.981
Due to related parties (Note 4)	12.845	6.578
Expense accruals	11.426	5.805
	2.428.265	**1.386.364**

As at 31 December 2021, the Company offset income accruals from its suppliers amounting to TL 75.697 with trade payables (31 December 2020: TL 54.009). Average payment terms of trade payables is 87 days (31 December 2020: 90 days). The Company does not have payments on a monthly basis for late interest as of 31 December 2021. (31 December 2020: None).

The foreign exchange rate risk and liquidity risk for the Company's trade payables are disclosed in Note 28

NOTE 8 – OTHER RECEIVABLES AND PAYABLES

The details of other receivables and other payables as at 31 December 2021 and 2020 are as follows:

Other receivables:

	31 December 2021	31 December 2020
Deposits and guarantees given	612	571
	612	**571**

Other payables:

	31 December 2021	31 December 2020
Deposits and guarantees received	5.153	2.913
	5.153	**2.913**

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

NOTE 9 - INVENTORIES

The details of the inventories as at 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Trading goods	1.674.884	1.037.103
Goods in transit	58.277	35.127
Allowance for impairment on inventories (-)	(14.001)	(15.702)
	1.719.160	**1.056.528**

As at 31 December 2021 cost of goods solds reflected to the statement of profit and loss amounting to TL 6.218.638 (31 December 2020: TL 4.660.121). As at 31 December 2021 and 2020 the provisions for impairment on inventories are expensed as cost of goods sold (Note 20).

The movements of allowance for inventories for the year ended at 31 December 2021 and 2020 are as below:

Allowance for impairment on inventories:	**2021**	**2020**
As at 1 January	(15.702)	(15.022)
Change in the period	(1.200)	(2.393)
Current year reversal	2.901	1.713
As at 31 December	**(14.001)**	**(15.702)**

NOTE 10 – PREPAID EXPENSES AND DEFERRED REVENUE

The details of prepaid expenses as at 31 December 2021 and 2020 are as follows:

Short-term prepaid expenses	**31 December 2021**	**31 December 2020**
Short term prepaid expenses	8.322	5.034
Advances given for inventories	828	3.434
	9.150	**8.468**

Long-term prepaid expenses	**31 December 2021**	**31 December 2020**
Long term prepaid expenses	3.753	49
	3.753	**49**

The details of the deferred revenue as at 31 December 2021 and 2020 are as follows:

Short-term deferred revenue	**31 December 2021**	**31 December 2020**
Income from gift checks	15.460	10.668
Advances received	16.316	12.338
Other	298	707
	32.074	**23.713**

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

NOTE 11 – RIGHT OF USE ASSETS

The Company, as a lessee, has included the right of use assets which represents the right to use the underlying assets and lease liabilities which represent the lease payments that it is liable to pay, in its financial statements.

As of 31 December 2021 and 2020, the movement of right of use assets is as follows:

Cost value	**Buildings**	**Vehicles**	**Total**
1 January 2021 opening balance	379.740	13.013	392.753
Additions	52.502	463	52.965
Disposals	(5.432)	--	(5.432)
31 December 2021 closing balance	**426.810**	**13.476**	**440.286**
Accumulated depreciation			
1 January 2021 opening balance	(170.408)	(2.635)	(173.043)
Additions	(98.947)	(3.338)	(102.285)
Disposals	1.409	--	1.409
31 December 2021 closing balance	**(267.946)**	**(5.973)**	**(273.919)**
Net carrying amount as of 1 January 2021	**209.332**	**10.378**	**219.710**
Net carrying amount as of 31 December 2021	**158.864**	**7.503**	**166.367**

Cost value	**Buildings**	**Vehicles**	**Total**
1 January 2020 opening balance	418.999	3.376	422.375
Additions (*)	38.051	9.973	48.024
Disposals (*)	(77.310)	(336)	(77.646)
31 December 2020 closing balance	**379.740**	**13.013**	**392.753**
Accumulated depreciation			
1 January 2020 opening balance	(99.893)	(584)	(100.477)
Additions (*)	(81.559)	(2.051)	(83.610)
Disposals (*)	11.044	--	11.044
31 December 2020 closing balance	**(170.408)**	**(2.635)**	**(173.043)**
Net carrying amount as of 1 January 2020	**319.106**	**2.792**	**321.898**
Net carrying amount as of 31 December 2020	**209.332**	**10.378**	**219.710**

(*) It includes the adjustment made in the right-of-use assets related to the lease contract due to exceptions taken and the lease discounts received by the Company within 2020 through lease contracts which is accounted in accordance with TFRS 16.

As of 31 December 2021 the depreciation expense is TL 102.285 (2020: TL 83.610), thereof TL 101.112 of depreciation charges included in marketing expenses (31 December 2020: TL 82.433) and TL 1.173 included in general administrative expenses (31 December 2020: TL 1.177)

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

NOTE 12 – INVESTMENT PROPERTY

The movement of investment properties and related accumulated depreciation for the year ended 31 December 2021 and 2020 are as follows:

Cost	**Buildings**	**Total**
Balance at 1 January 2021	30.734	30.734
Transfer	--	--
Revaluation gain (*)	5.550	5.550
Balance at 31 December 2021	**36.284**	**36.284**
Accumulated depreciation		
Balance at 1 January 2021	(1.124)	(1.124)
Charge for the period	--	--
Disposals	--	--
Balance at 31 December 2021	**(1.124)**	**(1.124)**
Net carrying amount as at 1 January 2021	**29.610**	**29.610**
Net carrying amount as at 31 December 2021	**35.160**	**35.160**

Cost	**Buildings**	**Total**
Balance at 1 January 2020	30.346	30.346
Transfers	--	--
Revaluation gain (*)	388	388
Balance at 31 December 2020	**30.734**	**30.734**
Accumulated depreciation		
Balance at 1 January 2020	(1.124)	(1.124)
Charge for the period	--	--
Disposals	--	--
Balance at 31 December 2020	**(1.124)**	**(1.124)**
Net carrying amount as at 1 January 2020	**29.222**	**29.222**
Net carrying amount as at 31 December 2020	**29.610**	**29.610**

NOTE 12 – INVESTMENT PROPERTY (Continued)

The Company generates rental income by TL 1.988 (2020: TL 1.474) from its investment property, which is leased by an operating lease agreement. Direct operating costs arising from the investment property is amounting to TL 519 (2020: TL 558). Operating expenses which are not related to the Teknosa store are distributed to lessees.

As of 31 December 2021, buildings which are recognised as property, plant and equipment and investment property were revalued by an independent appraisal firm named Avrupa Gayrimenkul Değerleme ve Danışmanlık A.Ş. on 14 February 2022.

As of 31 December 2020, buildings which are recognised as property, plant and equipment and investment property were revalued by an independent appraisal firm named Avrupa Gayrimenkul Değerleme ve Danışmanlık A.Ş. on 13 January 2021.

The appraisal firm is an accredited independent firm licensed by CMB, and have appropriate qualifications and recent experience in appraising properties in the relevant locations. For the fair value of the lands and buildings owned, it was calculated by using the "Benchmark Analysis Method", "Cost Analysis Method" and "Direct Capitalization Analysis Method", and the results obtained were harmonized and the final value was reached.

(*)As of 31 December 2021, for the part of the building held for investment purposes, fair value gain of TL 5.550 (31 December 2020: TL 388) were recorded under the expenses from investment activities. Fair value of related building is level 2.

As at 31 December 2021, total insurance amount over investment properties is TL 19.570 (31 December 2020: TL 13.263). 31 December 2021 and 31 December 2020 there is no mortgage on investment properties.

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

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT

The movement of property, plant and equipment and related accumulated depreciation for the year ended 31 December 2021 are as follows:

Cost	Buildings	Machinery and equipments	Vehicles	Furniture and fixtures	Leasehold improvements	Construction in progress	Total
Balance at 1 January 2021	**24.324**	**369**	**57**	**89.367**	**104.743**	**2.458**	**221.318**
Additions	--	--	185	19.014	6.311	29.766	55.276
Revaluation gain (**)	3.605	--	--	--	--	--	3.605
Disposals	--	--	--	(733)	(1.368)	--	(2.101)
Allowance of impairments(*)	--	--	--	(350)	(141)	--	(491)
Reversal of impairments	--	--	--	287	510	--	797
Transfers	--	--	--	4.464	3.348	(25.299)	(17.487)
Balance at 31 December 2021	**27.929**	**369**	**242**	**112.049**	**113.403**	**6.925**	**260.917**
Accumulated depreciation and impairment losses							
Balance at 1 January 2021	**(5.324)**	**(369)**	**(57)**	**(69.545)**	**(85.561)**	**--**	**(160.856)**
Change for the period	(606)	--	(3)	(8.779)	(8.088)	--	(17.476)
Disposals	--	--	--	450	1.101	--	1.551
(Allowance for) / reversal of impairment, net (*)	--	--	--	294	(259)	--	35
Balance at 31 December 2021	**(5.930)**	**(369)**	**(60)**	**(77.580)**	**(92.807)**	**--**	**(176.746)**
Net carrying amount at 1 January 2021	**19.000**	**--**	**--**	**19.822**	**19.182**	**2.458**	**60.462**
Net carrying amount at 31 December 2021	**21.999**	**--**	**182**	**34.469**	**20.596**	**6.925**	**84.171**

(*)As of 31 December 2021, the net impairment loss calculated for property, plant and equipment is TL 271 (31 December 2020: TL 1.907)

(**)The Company's freehold building is stated at their revalued amounts, being the fair value at the dale of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Company's freehold building was performed by Avrupa Gayrimenkul Değerleme ve Danışmanlık A.Ş., independent valuers not related to the Company. Avrupa Gayrimenkul Değerleme ve Danışmanlık A.Ş. has been authorized by and a member of CMB, and they have appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations. The fair value of the freehold building was determined based on the capitalization analysis approach. The fair value increase of 3.605 TL for the building used by the Company in real estate is recorded in the revaluation and measurement gains account under equity. For the related part of the building held for investment purposes, a gain of 5.550 TL (31 December 2020 :388 TL) was recorded under the profit or loss statement (Note 12 and 2.5). Fair value of related building is level 2.

As of 31 December 2021, if the building measured with the revaluation model is accounted for using the cost model method, the net book value is TL 8.526 (31 December 2020:TL 8.752).

Thereof 10.153 TL of amortization charges are included in marketing expenses (31 December 2020: 10.907 TL) and 7.323 TL are included in general administrative expenses (31 December 2020: 6.226 TL).

As at 31 December 2021, total insurance amount over property, plant and equipment is TL 54.008 (31 December 2020: TL 28.973). As at 31 December 2021 and 31 December 2020 there is no mortgage on property, plant and equipment.

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

NOTE 13 - PROPERTY, PLANT AND EQUIPMENT (Continued)

The movement of property, plant and equipment and related accumulated depreciation for the year ended 31 December 2020 are as follows:

Cost	**Building**	**Machinery and equipment**	**Vehicles**	**Furniture and fixtures**	**Leasehold improvements**	**Construction in progress**	**Total**
Balance at 1 January 2020	**20.819**	**369**	**57**	**81.249**	**105.740**	**1.546**	**209.780**
Additions	15	--	--	9.376	3.441	9.436	22.268
Revaluation gain	3.302	--	--	--	--	--	3.302
Disposals	--	--	--	(1.048)	(10.892)	--	(11.940)
Allowance of impairments(*)	--	--	--	(1.198)	(683)	--	(1.881)
Reversal of impairments (*)	--	--	--	215	5.764	--	5.979
Transfers	188	--	--	773	1.373	(8.524)	(6.190)
Balance at 31 December 2020	**24.324**	**369**	**57**	**89.367**	**104.743**	**2.458**	**221.318**
Accumulated depreciation and impairment losses							
Balance at 1 January 2020	**(3.956)**	**(369)**	**(57)**	**(64.195)**	**(81.466)**	**--**	**(150.043)**
Change for the period	(1.368)	--	--	(7.208)	(8.557)	--	(17.133)
Disposals	--	--	--	706	7.805	--	8.511
(Allowance for) / reversal of impairment, net (*)	--	--	--	1.152	(3.343)	--	(2.191)
Balance at 31 December 2020	**(5.324)**	**(369)**	**(57)**	**(69.545)**	**(85.561)**	--	**(160.856)**
Net carrying amount at 1 January 2020	**16.863**	**--**	**--**	**17.054**	**24.274**	**1.546**	**59.737**
Net carrying amount at 31 December 2020	**19.000**	**--**	**--**	**19.822**	**19.182**	**2.458**	**60.462**

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

NOTE 14 – INTANGIBLE ASSETS

The movement of intangible assets and related accumulated depreciation for the year ended 31 December 2021 and 2020 are as follows:

Cost	**Licences-rights and computer softwares**	**Total**
Balance at 1 January 2021	142.982	142.982
Additions	15.336	15.336
Transfers (*)	17.487	17.487
Disposals	(185)	(185)
Balance at 31 December 2021	**175.620**	**175.620**
Accumulated amortisation and impairment losses		
Balance at 1 January 2021	(103.340)	(103.340)
Charge for the period	(22.104)	(22.104)
Disposals	37	37
Balance at 31 December 2021	**(125.407)**	**(125.407)**
Net book value as at 1 January 2021	**39.642**	**39.642**
Net book value as at 31 December 2021	**50.213**	**50.213**

Cost	**Licences-rights and computer softwares**	**Total**
Balance at 1 January 2020	**121.115**	**121.115**
Additions	15.837	15.837
Transfers (*)	6.190	6.190
Disposals	(183)	(183)
(Allowance for) / reversal of impairment, net	23	23
Balance at 31 December 2020	**142.982**	**142.982**
Accumulated amortisation and impairment losses		
Balance at 1 January 2020	(85.302)	(85.302)
Charge for the period	(18.071)	(18.071)
Disposals	56	56
(Allowance for) / reversal of impairment, net	(23)	(23)
Balance at 31 December 2020	**(103.340)**	**(103.340)**
Net book value as at 1 January 2020	**35.813**	**35.813**
Net book value as at 31 December 2020	**39.642**	**39.642**

(*) As at 31 December 2021 and 2020, the Company conducted an analysis for the classification of tangible and intangible assets and considered the changes as transfers between accounts.

Amortisation expenses amounting to TL 13.905 (2020: TL 11.028) are included in marketing expenses and TL 8.199 (2020: TL 7.043) are included in general administrative expenses.

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

NOTE 15– PAYABLES RELATED TO EMPLOYEE BENEFITS AND PROVISINS FOR EMPLOYEE BENEFITS

The details of payables related to employee benefits as at 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Accrued salaries	13.986	7.780
Social security premiums payable	12.374	4.212
Income taxes payable	3.568	2.066
	29.928	**14.058**

The details of the provisions for employee benefits as at 31 December 2021 and 31 December 2020 are as follows:

Short-term provisions	31 December 2021	31 December 2020
Provision for sales personnel premium	6.948	5.040
Provision for head office personnel premium	4.833	4.868
Provision for unused vacation	5.446	4.776
Provision for top management premium	1.875	2.867
Provision for other premium	--	1.415
	19.102	**18.966**

Long-term provisions	31 December 2021	31 December 2020
Provision for employee termination benefit	17.614	13.031
Provision for other premium	473	1.186
	18.087	**14.217**

Provisions for employment benefits

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

Retirement pay liability is not subject to any kind of funding legally. The provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. TAS 19 "Employee Benefits" requires actuarial valuation methods to be developed to estimate the enterprise's obligation under defined benefit plans. Accordingly the following actuarial assumptions were used in the calculation of the total liability:

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

NOTE 15– PAYABLES RELATED TO EMPLOYEE BENEFITS AND PROVISINS FOR EMPLOYEE BENEFITS (Continued)

Long-term provisions (continued)

Provisions for employment benefits (continued)

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Due to the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. Consequently, in the accompanying financial statements as at 31 December 2021, the provision has been calculated by estimating the present value of the future probable obligation of the Company arising from the retirement of the employees. The provisions at the respective balance sheet dates have been calculated with the assumption of 4,20 % real discount rate (31 December 2020: 4,18 %) calculated by using 17 % annual inflation rate and 21% interest rate. Estimated rates of voluntary leaves for sales personnel and administrative personnel for 0-15 years are taken into consideration as 15,70 % and 10,21%, respectively (31 December 2020: 15,15 % and 10,22%,), and 0% for employees working for 16 years and over. Ceiling for retirement pay is revised semi-annually. Probability has been determined as 100% for employees whose insurance register began before December 1999 (124 personnel) and the provision has been calculated accordingly.

Ceiling amount of TL 10.848,59 which is revised semi-annually and effective since 1 January 2022 is used in the calculation of Company's provision for retirement pay liability (1 January 2021: TL 7.638,96).

The movement of employment termination benefit provision for the year ended 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Opening balance, 1 January	13.031	8.776
Service cost	9.290	3.077
Interest cost	1.584	1.060
Actuarial (gain) / loss	2.834	2.452
Paid compensation during the year	(9.125)	(2.334)
	17.614	**13.031**

NOTE 16 – PROVISIONS

The details of the other short term provisions as at 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Provisions for ongoing litigation (*)	9.152	7.113
Provision for cancellation of rent agreements	--	739
Other	5.103	2.103
	14.255	**9.955**

(*) Provision for ongoing litigation is comprised of lawsuits filed by consumers and former employees against the Company.

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

NOTE 16 – PROVISIONS (Continued)

The movement of provisions for ongoing litigation and cancellation of rent agreements for the year ended 31 December 2021 and 2020 are as follows:

	1 January 2021	1 January-31 December 2021 additional provisions	1 January-31 December 2021 paid/reversal provisions	31 December 2021
Provision for cancellation of rent agreements	739	--	(739)	--
Provisions for ongoing litigation	**7.113**	**5.019**	**(2.980)**	**9.152**
Reemployment	4.338	4.087	(2.824)	5.601
Consumer lawsuits	1.146	--	(156)	990
Provisions for rent lawsuit	1.629	932	--	2.561
	7.852	**5.019**	**(3.719)**	**9.152**

	1 January 2020	1 January-31 December 2020 additional provisions	1 January-31 December 2020 paid/reversal provisions	31 December 2020
Provision for cancellation of rent agreements	1.023	70	(354)	739
Provisions for ongoing litigation	**7.040**	**1.887**	**(1.814)**	**7.113**
Reemployment	3.726	1.446	(834)	4.338
Consumer lawsuits	2.012	103	(969)	1.146
Provisions for rent lawsuit	1.302	338	(11)	1.629
	8.063	**1.957**	**(2.168)**	**7.852**

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

NOTE 17 – COMMITMENTS

Collateral, pledge, mortgage position

Collaterals, pledges and mortgages ("CPM") given by the Company as at 31 December 2021 and 2020 are as follows:

CPMs given by the Company	**31 December 2021**			
	TL equivalent	USD	Euro	TL
A. Total amount of CPM given on behalf of own legal personality	**891.219**	**9.489**	**4.728**	**698.656**
- Collaterals	760.042	1.452	3.495	689.884
- Pledges	--	--	--	--
- Mortgages	8.772	--	--	8.772
- Letter of credit	122.405	8.037	1.233	--
B. Total amount of CPM given in behalf of fully consolidated companies	--	--	--	--
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties	--	--	--	--
D. Total amount of other CPM	--	--	--	--
Total CPM	**891.219**	**9.489**	**4.728**	**698.656**

CPMs given by the Company	**31 December 2020**			
	TL equivalent	USD	Euro	TL
A. Total amount of CPM given on behalf of own legal personality	**541.946**	**4.174**	**6.200**	**455.455**
- Collaterals	489.696	1.623	3.541	445.883
- Pledges	--	--	--	--
- Mortgages	9.572	--	--	9.572
- Letter of credit	42.678	2.551	2.659	--
B. Total amount of CPM given in behalf of fully consolidated companies	--	--	--	--
C. Total amount of CPM given for continuation of its economic activities on behalf of third parties	--	--	--	--
D. Total amount of other CPM	--	--	--	--
Total CPM	**541.946**	**4.174**	**6.200**	**455.455**

The ratio of other CPM given on behalf of third parties except for the CPM given on behalf of the Company's own legal personality to total equity is 0% as at 31 December 2021 (31 December 2020: 0%).

As at 31 December 2021 and 31 December 2020, the Company is contingently liable in respect of bank letter of guarantees obtained from banks mainly given to lessors in accordance with the lease agreements, enforcement office related to ongoing lawsuits and custom related to import transactions.

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

NOTE 18 – OTHER CURRENT ASSETS AND LIABILITIES

The details of the other current and non-current assets as at 31 December 2021 and 2020 are as follows:

Other current assets	31 December 2021	31 December 2020
Deferred VAT	26.128	--
Advances given	1.594	3.210
Personnel advances	92	114
Other current assets	1.502	1.623
	29.316	**4.947**

The details of the other current liabilities as at 31 December 2021 and 31 December 2020 are as follows:

Other current liabilities	31 December 2021	31 December 2020
Value added tax ("VAT") payable	--	13.023
Other expense accruals	764	5.646
Other liabilities and obligations (*)	1.353	877
	2.117	**19.546**

(*) Other expense accruals comprised of irrecoverable gift checks which were given and used Teknosacell subscription who withdraw subscription subsequently and other various expense accruals.

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

NOTE 19 – SHAREHOLDERS' EQUITY

The registered capital ceiling of the Company is 300.000.000 full TL and it consists of 30.000.000.000 shares with a nominal value of 1 Kr each.

The Company's approved and the issued share capital consists of 20.100.000.000 shares of 1 Kr nominal value (31 December 2020: approved and the issued 11.000.000.000 shares of 1 Kr nominal value).

The details of the shareholder's equity structure as at 31 December 2021 and 2020 are as follows:

	31 December 2021		**31 December 2020**	
	Share	**%**	**Share**	**%**
Hacı Ömer Sabancı Holding A.Ş.	100.500	50%	55.000	50%
Other	100.500	50%	55.000	50%
Nominal share capital	**201.000**	**100%**	**110.000**	**100%**
Adjustment for capital	6.628		6.628	
Adjusted capital	**207.628**		**116.628**	

With the decision of the board of directors dated 22 February 2021, it has been decided to increase the issued capital of the Company with a nominal value of 110.000.000 full TL to 201.000.000 by an increase of 91.000.000 in total, to be fully paid in cash. In this context, as a result of the exercise of the right to buy new shares between 28 April 2021 and 17 May 2021, the sale of shares with a nominal value of 90.515.180,769 was completed and a total gross income of 271.545.637,51 was obtained. As a result of the sale of all shares with a nominal value of 484.819,231 TL that were not subject to the exercise of the right to purchase new shares, on the Borsa Istanbul Primary Market on 20 May 2021, a total gross income of 4.109.186,32 TL was obtained. As a result of these transactions, the value of the issued capital of 110.000.000 full TL was increased by 91.000.000 full TL, paid in full and in cash, and increased to 201.000.000 full TL, and a cash inflow of 275.654.823,83 full TL was obtained from the capital increase. The 10th article regarding the capital of the Articles of Association, which indicates that the Company's issued capital is 201.000.000 full TL, has been registered and announced in the Turkish Trade Registry Gazette dated 21 June 2021 and numbered 10353.

Share premiums

It is the item where the amounts that arise due to capital movements such as share issue premiums, canceled partnership shares, share sales profits of companies whose controlling power continues and which are considered a part of the capital are followed. As of 31 December 2021, shares premiums in the financial statements of the Company are 184.655 TL (31 December 2020: None.)

Restricted reserves

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

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

NOTE 19 – SHAREHOLDERS' EQUITY (Continued)

Legal reserves as mentioned above shall be classified as "Restricted Reserves Appropriated from Profit" according to Capital Markets Board financial reporting standards. The details of legal reserves are stated below as of 31 December 2021 and 2020:

	31 December 2021	31 December 2020
Legal reserves	8.704	8.704
	8.704	**8.704**

Profit Distribution

Public companies distribute profit in accordance with Profit Share Communique no II-19.1 issued by CMB effective from 1 February 2014.

Companies distribute their profit due to profit distribution policies set by the general assembly in accordance with the related legislation verdicts with a general assembly minute. Within the extent of the communique mentioned above a minimal distribution rate is not designated. Companies distribute their profits in accordance with their main agreements of profit distribution policies.

Other comprehensive income that will not be reclassified to profit or loss

Gains on revaluation of property, plant and equipment

It consists of other comprehensive income of gains on revaluation of property, plant and equipment reserves that is not associated with profit and loss.

The movements of revaluation of property, plant and equipment for the year ended 31 December 2021 and 2020 are as follows:

	2021	2020
Opening balance	31.121	28.149
Fair value increase	3.244	2.972
Closing Balance	**34.365**	**31.121**

Gain / (losses) on remeasurement of defined benefit plans

As of 31 December 2021, actuarial loss amounting to TL 8.510 (31 December 2020: TL 6.244) is recognized as other comprehensive income.

Items that are or may be reclassified to profit or loss

Hedging reserves

Hedging reserves consist of the effective portion of the accumulated net change in the fair value of the cash flow hedging instrument related to the hedged transaction that unrealized. As of 31 December 2021 The Company's hedging earnings are TL 431. (31 December 2020: None).

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

NOTE 20 – REVENUE AND COST OF REVENUE

The details of revenue and cost of revenue for the year ended 31 December 2021 and 2020 are as follows:

Revenue (net)	**1 January – 31 December 2021**	**1 January – 31 December 2020**
Retail sales	5.971.779	4.309.312
E-commerce sales	1.080.117	1.011.297
Dealer sales	468.183	285.910
	7.520.079	**5.606.519**

Cost of revenue	**1 January – 31 December 2021**	**1 January – 31 December 2020**
Cost of trading goods sold	(6.218.638)	(4.660.121)
Installation and warranty expenses	(34.615)	(15.715)
	(6.253.253)	**(4.675.836)**

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

NOTE 21 – MARKETING AND ADMINISTRATIVE EXPENSES

The details of marketing expenses for the year ended 31 December 2021 and 2020 are as follows:

Marketing expenses	**1 January – 31 December 2021**	**1 January – 31 December 2020**
Personnel expenses	(207.300)	(176.349)
Depreciation and amortisation expenses	(125.170)	(104.368)
Rent expenses	(105.568)	(81.507)
Advertising and promotion expenses	(66.206)	(57.790)
Transportation expenses	(41.586)	(30.178)
Consultancy expenses	(40.142)	(21.181)
Energy, fuel, water expenses	(19.230)	(12.608)
Maintenance expenses	(9.487)	(8.117)
Communication expenses	(1.224)	(1.182)
Travel and accommodation expenses	(920)	(507)
Other expenses	(26.140)	(18.341)
	(642.973)	**(512.128)**

The details of administrative expenses for the year ended 31 December 2021 and 2020 are as follows:

General administrative expenses	**1 January – 31 December 2021**	**1 January – 31 December 2020**
Personnel expenses	(36.762)	(27.495)
Depreciation and amortisation expenses	(16.695)	(14.446)
IT expenses	(16.182)	(16.909)
Consultancy expenses	(6.213)	(3.810)
Rent expenses	(3.254)	(956)
Maintenance expenses	(713)	(765)
Travel and accommodation expenses	(361)	(244)
Independent audit expenses	(325)	(282)
Energy, fuel, water expenses	(58)	(70)
Other expenses	(4.550)	(1.933)
	(85.113)	**(66.910)**

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

NOTE 22 – OTHER INCOME AND EXPENSES FROM MAIN OPERATIONS

The details of other income from operating activities for the year ended 31 December 2021 and 2020 are as follows:

Other income from main operating activities	**1 January – 31 December 2021**	**1 January – 31 December 2020**
Foreign exchange gains	45.949	16.299
Interest income	16.870	15.002
Concessions on lease payments. (**)	14.734	30.003
Income from personnel	1.531	1.193
Gift checks	840	2.181
Impairment/cancellation of fixed asset (net)	271	1.907
Reversal of provisions for cancellation of rent agreements (*)	94	285
Other income	5.205	5.600
	85.494	**72.470**

(*)Reversal of provisions for cancellation of rent agreements is comprised of the remaining amount released as a result of a settlement or the penalty payments with a discount to the landlords.

(**) Concessions on lease payments consist of store rents within the scope of TFRS 16, which are discounted or not paid during Covid-19 period.

The details of other expense from operating activities for the year ended 31 December 2021 and 2020 are as follows:

Other expense from operating activities (-)	**1 January – 31 December 2021**	**1 January – 31 December 2020**
Interest expense on payables	(166.987)	(81.958)
Foreign exchange losses	(68.332)	(13.778)
Litigation expenses	(4.287)	(2.142)
Other expenses and losses	(16.940)	(16.459)
	(256.546)	**(114.337)**

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

NOTE 23 – INCOME AND EXPENSES FROM INVESTING ACTIVITIES

The details of investment income/expense for the year ended 31 December 2021 and 2020 are as follows:

Income from investing activities

	1 January – 31 December 2021	1 January – 31 December 2020
Interest income on time deposit	14.021	12.024
Gain from sale of fixed asset	499	45
Investment property revaluation gain (Note 12)	5.550	388
	20.070	**12.457**

Expense from investing activities

The details of other expenses from operating activities for the year ended 31 December 2021 and 2020 are as follows:

	1 January – 31 December 2021	1 January – 31 December 2020
Loss from sale of fixed assets	(632)	(2.898)
	(632)	**(2.898)**

NOTE 24 – FINANCE COSTS

The details of finance costs for the year ended 31 December 2021 and 2020 are as follows:

	1 January – 31 December 2021	1 January – 31 December 2020
Credit card commission expenses	(171.928)	(106.791)
Interest expense due lease liabilities (Note 6)	(47.436)	(61.421)
Interest and commission expenses	(36.578)	(41.652)
Guarantee letters commission expenses	(5.065)	(2.160)
Foreign exchange expenses	(4.318)	(2.027)
Other finance costs	(531)	(686)
	(265.856)	**(214.737)**

The details of finance income for the year ended 31 December 2021 and 2020 are as follows:

	1 January – 31 December 2021	1 January – 31 December 2020
Foreign exchange income	18.126	6.881
	18.126	**6.881**

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

NOTE 25 – DERIVATIVES

	31 December 2021 Assets	31 December 2021 Liabilities	31 December 2020 Assets	31 December 2020 Liabilities
Foreign currency forward contracts	575	--	--	--
Short-term	*575*	--	--	--
	575	--	--	--

As of 31 December 2021, the Company signed foreign currency forward contracts with the maturities in three months in order to hedge the foreign exchange exposures arising from the purchases denominated in foreign currency of the dealers. As at 31 December 2021 the total nominal amount of foreign exchange forward contracts that the Company is obliged to realize and which are not due is TL 92.468 (EUR 4.211 and USD 2.036).(31 December 2020: None). As at 31 December 2021, fair value of the Company's foreign currency forward contracts is estimated to be approximately TL 575 as asset. These amounts are based on quoted market prices for equivalent instruments at the balance sheet date.

The fair value of the foreign currency forward contracts that are designated and effective as cash flow hedges after tax amounting to TL 431 has been accounted for under equity.(31 December 2020 : None)

NOTE 26 – INCOME TAXES (DEFERRED TAX ASSET AND LIABILITIES INCLUDED)

Corporate income tax:

The Company is subject to the tax legislation and practices in force in Turkey. Corporate tax is declared until the evening of the twenty-fifth of the fourth month following the end of the relevant accounting period and is paid in one installment until the end of the relevant month.

In Turkey, the corporate tax rate applied to the legal tax base to be found by adding the expenses that are not accepted as deductible in accordance with the tax laws to the commercial income of the corporations in Turkey and by deducting the exemptions in the tax laws was applied as 20% after January 1, 2021. However, with the Provisional Article 13 added to the Corporate Tax Law no. The rate is set to be 25% for corporate earnings for the 2021 taxation period and 23% for corporate earnings for the 2022 taxation period. This change is valid for the taxation of corporate earnings for the periods starting from 1 January 2021, starting with the declarations that must be submitted as of July 1, 2021. Since the tax rate change will come into effect as of April 22, 2021, the tax rate is used as 25% in the calculations of the period tax in the financial statements dated 31 December 2021.Within the scope of the aforementioned amendment, deferred tax assets and liabilities in the financial statements dated 31 December 2021 are calculated with a rate of 20% for the part of temporary differences that will create tax effects in 2021 and following periods.

Within the scope of the said amendment, deferred tax assets and liabilities in the financial statements dated 31 December 2021 are calculated at the rates of 23% and 20%, respectively, for the portions of temporary differences that will have tax effects in 2022 and the following periods.

According to the Corporate Tax Law, financial losses shown on the declaration can be deducted from the corporate tax base of the period, provided that they do not exceed 5 years. Declarations and related accounting records can be examined by the tax office within five years and tax accounts can be revised.

Dividend payments made to resident joint stock companies in Turkey, to those who are not liable and exempt from corporate tax and income tax, and to real persons and non-resident legal entities in Turkey are subject to 15% income tax.

NOTE 26 – INCOME TAXES (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (Continued)

Corporate income tax (Continued)

Dividend earnings (excluding dividends obtained from mutual funds participation certificates and investment trusts' shares) obtained by corporations from participating in the capital of another corporation subject to full liability are exempt from corporation tax. Additionally, 75% of the gains arising from the sale of the shares, founding notes, usufruct shares and pre-emptive rights of the properties (real estates) owned by the corporations for at least two full years in the assets of the shares held for the same period are exempt from corporate tax. However, with the amendment made to the Law No. 7061, this ratio has been reduced from 75% to 50% in terms of immovables and this ratio will be used as 50% for the immovables to be prepared as of 2018.

In Turkey, losses can be carried forward for a maximum period of five years to offset against future taxable income. Tax authorities may, however, inspect tax returns and the related accounting records and may revise assessments within five years.

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

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

Income withholding tax

There is a withholding tax liability on dividend distributions, and this withholding liability is accrued in the period when the dividend payment is made. Dividend payments are subject to a 15% withholding tax until 22 December 2021, except for non-resident companies that generate income through a workplace or their permanent representative in Turkey, and those made to companies residing in Turkey. However, in accordance with the President's Decision No. 4936, published in the Official Gazette dated 22 December 2021 and numbered 31697, the withholding tax rate of 15% has been reduced to 10%.

In the application of withholding tax rates for profit distributions to non-resident companies and real persons, the withholding tax rates in the relevant Double Taxation Agreements are also taken into account. Adding retained earnings to the capital is not counted as dividend distribution, so it is not subject to withholding tax.

Transfer pricing regulations

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

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

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 26 – INCOME TAXES (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (Continued)

Tax income / (expenses) for the year ended 31 December 2021 and 2020 are as follows:

	1 January – 31 December 2021	1 January – 31 December 2020
Tax expense:		
Corporate tax expense of the current period	--	--
Deferred tax expenses:		
Deferred tax (expenses) / income from temporary differences	(7.942)	(25.912)
	(7.942)	**(25.912)**

Deferred tax assets and liabilities

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between the financial statements as reported for TAS purposes and financial statements prepared in accordance with the tax legislation. These differences arise from the differences in accounting periods for the recognition of income and expenses in accordance with TAS and tax legislation.

The details of the deferred tax assets and liabilities calculation by using effective tax rates for the year ended 31 December 2021 and 2020 is as follows:

	31 December 2021	31 December 2020
Prior year losses	12.982	27.155
Discount expenses	502	235
Discount income	(4.970)	(3.783)
Inventories	12.971	8.292
Expense accruals	9.926	5.232
Provision for unused vacations	1.253	955
Provision for employment termination benefits	3.523	2.606
Litigations	1.884	1.420
Income accruals	(1.468)	(892)
Withdrawal fees	101	366
Restatement and depreciation / amortization differences of property, plant and equipment and other intangible assets	(12.179)	(8.547)
Provision for reconciliation differences	1.403	1.220
Provision for cancellation of rent agreements	1.053	1.229
Right of use asset	8.689	10.473
Other	1.616	(796)
	37.286	**45.165**

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

NOTE 26 – INCOME TAXES (DEFERRED TAX ASSET AND LIABILITIES INCLUDED) (continued)

Deferred tax assets and liabilities (continued)

The movements of deferred tax asset as of 31 December 2021 and 2020 are as follows:

	31 December 2021	31 December 2020
Opening balance at 1 January	45.165	70.917
Tax expense	(7.942)	(25.912)
Other comprehensive income / (loss)	63	160
	37.286	**45.165**

Carry forward tax losses

As of 31 December 2021, The Company has calculated deferred tax assets over the tax losses amounting to TL 64.912 and its expiration date is 2024.

The reconciliation of the current period tax expense with the profit for the period are as follows:

	31 December 2021	31 December 2020
Operating profit before income tax	139.406	111.208
Effective tax rate	25%	22%
Calculated tax	(34.852)	(24.466)
Reconciliation of tax provision:		
- Non-deductible expenses	(4.282)	(2.272)
-Tax effect of previous year losses on which deferred tax is calculated and written off in the current period	28.982	--
-Effect of change in tax rate	2.032	763
-Other	178	63
Tax expenses on income statement	**(7.942)**	**(25.912)**

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

NOTE 27 – EARNINGS / (LOSS) PER SHARE

Earnings per share stated in the statement of comprehensive income is determined by dividing the net profit for the period by the weighted average number of shares issued during the relevant period.

	1 January - 31 December 2021	1 January - 31 December 2020
Weighted average number of ordinary shares outstanding during the period (in full)	15.911.506.849	11.000.000.000
Profit/(loss) for the year attributable to owners of the company	131.464	85.296
Basic (loss) / earnings per share from continuing operations -thousands of ordinary shares (thousands TL)	0,0083	0,0078
Basic (loss) / diluted earnings per share from continuing operations -thousands of ordinary shares (thousands TL)	0,0083	0,0078

NOTE 28 - NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt. The Company monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total payables (including borrowings, trade payables, due to related parties and advances received, as shown in the balance sheet) less cash and cash equivalents. Total capital is calculated as equity, as shown in the balance sheet, plus net debt.

	31 December 2021	31 December 2020
Total financial liabilities	209.133	636.464
Minus: Cash and cash equivalents	(709.408)	(392.201)
Financial liabilities, net	(500.275)	244.263
Total equity	**242.982**	**(165.546)**
Financial liabilities, net / equity	(206%)	(148%)

b) Financial risk factors

Credit risk

Ownership of financial assets involves the risk that counterparties may be unable to meet the terms of their agreements. Significant part of trade receivables comprise credit card receivables and the Company has is not exposed to credit risk concerning credit card receivables. The Company collects the instalments of its credit card sales according to the mutually agreed discount rates with the banks and financial institutions on the next day when the sale made within the scope of the credit card sales contracts made under the various banks and financial institutions. Other trade receivables, cheques and notes are due from dealer sales of air-conditioning, cash register and white goods. The Company has set up an effective control system on the dealers that are followed by credit risk management and each debtors have their own credit limit. The Company consider the past experience and collateral from dealers (Note 7).

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

NOTE 28 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial risk factors (continued)

b.1) Credit risk management

The credit risk as a financial risk factors as at 31 December 2021 is as follows:

	Receivables			
Credit risk of financail instruments	**Trade Receivables**		**Other Receivables**	
31 December 2021	**Related Parties**	**Third Parties**	**Third Parties**	**Deposits at bank and credit card receivables**
Maximum credit risk as of balance sheet date (*)	18.609	137.316	612	706.717
-The part of maximum risk under guarantee with collateral etc. (**)	--	122.069	--	--
A.Net book value of financial assets that are neither past due nor impaired.	2.101	136.606	612	706.717
B.Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	16.508	710	--	--
C.Net book value of impaired assets	--	--	--	--
- Past due (gross carrying amount)	--	7.252	--	--
'- Impairment (-)	--	(7.252)	--	--
'- The part of net value under guarantee with collateral etc.	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--
'- Impairment (-)	--	--	--	--
'- The part of net value under guarantee with collateral etc.	--	--	--	--
			--	
D. Off-balance sheet items with credit risk	--	--	--	--

(*)Guarantees received and other factors increasing loan reliability are not considered in determining this amount.
(**)Guarantees consist of letters of guarantee, notes receivable and cheques obtained from customers.

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

NOTE 28 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial risk factors (continued)

b.1) Credit risk management (continued)

The credit risk as a financial risk factors as at 31 December 2020 is as follows:

Credit risk of financail instruments	Receivables			
	Trade Receivables		Other Receivables	
31 December 2020	Related Parties	Third Parties	Third Parties	Deposits at bank and credit card receivables
Maximum credit risk as of balance sheet date (*)	14.883	88.414	571	389.259
-The part of maximum risk under guarantee with collateral etc. (**)	--	76.787	--	--
A.Net book value of financial assets that are neither past due nor impaired.	641	78.217	571	389.259
B.Net book value of financial assets that are renegotiated, if not that will be accepted as past due or impaired	14.242	2.935	--	--
C.Net book value of impaired assets	--	--	--	--
- Past due (gross carrying amount)	--	7.262	--	--
'- Impairment (-)	--	(7.262)	--	--
'- The part of net value under guarantee with collateral etc.	--	--	--	--
- Not past due (gross carrying amount)	--	--	--	--
'- Impairment (-)	--	--	--	--
'- The part of net value under guarantee with collateral etc.	--	--	--	--
			--	
D. Off-balance sheet items with credit risk	--	--	--	--

(*)Guarantees received and other factors increasing loan reliability are not considered in determining this amount.
(**)Guarantees consist of letters of guarantee, notes receivable and cheques obtained from customers.

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

NOTE 28 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial risk factors (continued)

Explanations on the credit quality of financial assets

As of 31 December 2021 and 2020, banks which contain cash and cash equivalents that are included in the neither overdue nor impaired financial assets have mostly high credit ratings, whereas the counterparties included in trade receivables in the same category are customers / related parties with whom the Company has been in relation for a long time and did not have any significant collection problems.

Aging of receivables that are past due but not impaired are as follows:

	31 December 2021	31 December 2020
Past due 1-30 days	10.193	10.630
Past due 1-3 months	6.103	6.025
Past due 3-12 months	923	522
Total past due receviables	**17.219**	**17.177**
The part of risk that is secured by collateral	2.021	2.011

b.2) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business the Company aims at maintaining flexibility in funding by keeping committed credit lines available. The Company management monitors the Company's liquidity reserve movements according to their projected cash flows.

The Company management holds adequate cash, credit commitment and credit card receivables that will meet the need for cash for recent future in order to manage its liquidity risk. In this context, the Company has credit commitment agreements (monetary and non-monetary) from banks amounting to TL 4.709.149 that the Company can utilize whenever needed as of 31 December 2021 (2020: TL 3.298.000).

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

NOTE 28 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial risk factors (continued)

The table below shows the Company's liquidity risk arising from financial liabilities:

31 December 2021	Book value	Total contract based cash outflow (I+II+III)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)
Non-derivative financial liabilities					
Trade payables	2.428.265	2.428.265	2.428.265	--	--
Related parties	*12.845*	*12.845*	*12.845*	--	--
Third parties	*2.415.420*	*2.415.420*	*2.415.420*	--	--
Lease liabilities	209.133	256.569	33.670	84.181	138.718
Other payables	5.153	5.153	5.153	--	--
Total liabilities	**2.642.551**	**2.689.987**	**2.467.088**	**84.181**	**138.718**

31 December 2020	Book value	Total contract based cash outflow (I+II+III)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)
Non-derivative financial liabilities					
Trade payables	1.386.364	1.386.364	1.386.364	--	--
Related parties	*6.578*	*6.578*	*6.578*	--	--
Third parties	*1.379.786*	*1.379.786*	*1.379.786*	--	--
Loans	370.058	370.058	104.492	265.566	--
Lease liabilities	266.406	307.253	22.860	98.189	206.778
Other payables	2.913	2.913	2.913	--	--
Total liabilities	**2.025.741**	**2.066.588**	**1.516.629**	**363.755**	**206.778**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 28 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial risk factors (continued)

Foreign currency risk

As the Company primarily purchases from domestic vendors in TL, the Company is exposed to limited foreign exchange risk.

The risk is monitored by the Board of Directors in regular meetings. The idle cash is invested in foreign currency in order to minimise the foreign exchange risk resulted from balance sheet items. The Company also manages the foreign currency risk by limited use of forward contracts, which is one of derivative instruments, if necessary.

	31 December 2021		
	TL equivalent	USD	EUR
1. Trade receivable	4.979	326	51
2a.Monetary financial assets (including cash on hand and bank accounts)	72.406	4.207	1.213
2b.Non monetary financial assets	--	--	--
3. Other	582	44	1
4. Current assets (1+2+3)	**77.967**	**4.577**	**1.265**
5. Trade receivables	--	--	--
6a. Monetary financial assets	--	--	--
6b. Non monetary financial assets	--	--	--
7. Other	480	37	--
8. Non current assets (5+6+7)	**480**	**37**	**--**
9. Total assets(4+8)	**78.447**	**4.614**	**1.265**
			-
10. Trade payables	(52.467)	(2.433)	(1.423)
11. Financial liabilities	--	--	--
12a. Other monetary liabilities	--	--	--
12b. Non monetary other liabilities	(4.974)	(381)	(2)
13. Current liabilities (10+11+12)	**(57.441)**	**(2.814)**	**(1.425)**
14. Trade payables	--	--	--
15. Financial liabilities	--	--	--
16a. Monetary other liabilities	--	--	--
16b. Non monetary other liabilities	--	--	--
17. Non current liabilities (14+15+16)	--	--	--
18. Total liabilities (13+17)	**(57.441)**	**(2.814)**	**(1.425)**
19. Net asset/ (liability) position of off-statement derivative instruments (19a+19b)	**88.249**	**2.036**	**4.211**
19a. Off-balance sheet derivative assets	**88.249**	**2.036**	**4.211**
19b.Off-balance sheet derivative liabilities	**--**	**--**	**--**
20. Net position of foreign currency asset / (liability) (9+18+19)	**109.255**	**3.836**	**4.051**
21. Net position of monetary foreign currency asset / (liability) (TFRS 7.b23) (=1+2a+5+6a+10+11+12a+14+15+16a)	**24.918**	**2.100**	**(159)**
22. Total fair value of foreign currency hedge	**575**	**(69)**	**100**

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

NOTE 28 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial risk factors (continued)

Foreign currency risk (continued)

Foreign Currency Position	**31 December 2020**			
	TL equivalent	**USD**	**EUR**	**Other**
1. Trade receivable	2.702	304	52	--
2a.Monetary financial assets (including cash on hand and bank accounts)	8.697	547	520	--
2b.Non monetary financial assets	--	--	--	--
3. Other	3.322	451	1	--
4. Current assets (1+2+3)	**14.721**	**1.302**	**573**	**--**
5. Trade receivables	--	--	--	--
6a. Monetary financial assets	--	--	--	--
6b. Non monetary financial assets	--	--	--	--
7. Other	411	56	--	--
8. Non current assets (5+6+7)	**411**	**56**	**--**	**--**
9. Total assets (4+8)	**15.132**	**1.358**	**573**	**--**
10. Trade payables	(33.729)	(2.328)	(1.847)	(26)
11. Financial liabilities	--	--	--	--
12a. Other monetary liabilities	--	--	--	--
12b. Non monetary other liabilities	(2.755)	(373)	(2)	--
13. Current liabilities (10+11+12)	**(36.484)**	**(2.701)**	**(1.849)**	**(26)**
14. Trade payables	--	--	--	--
15. Financial liabilities	--	--	--	--
16a. Monetary other liabilities	--	--	--	--
16b. Non monetary other liabilities	--	--	--	--
17. Non current liabilities (14+15+16)	--	--	--	--
18. Total liabilities (13+17)	**(36.484)**	**(2.701)**	**(1.849)**	**(26)**
19. Net position of financial statement (9+18)	**(21.352)**	**(1.343)**	**(1.276)**	**(26)**
20. Net position of foreign currency derivatives	**--**	**--**	**--**	**--**
21. Net position of foreign currency asset / (liability) (19+20)	**(21.352)**	**(1.343)**	**(1.276)**	**(26)**
22. Net position of monetary foreign currency asset / (liability) (TFRS 7.b23) (=1+2a+5+6a+10+11+12a+14+15+16a)	**(22.330)**	**(1.477)**	**(1.275)**	**(26)**

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

NOTE 28 – NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (continued)

b) Financial risk factors (continued)

Foreign currency risk (continued)

Foreign currency sensitivity

The table below presents the Company's sensitivity to a 10% deviation in foreign exchange rates of USD, EUR and other foreign currencies. These amounts have indicated the effect of the USD, EUR and other foreign currencies against TL strengthened / weakened by 10%. During this analysis all other variables held constant.

Foreign Currency Sensitivity Table	**31 December 2021**		**31 December 2021**	
	Profit / Loss		Equity	
	Appreciation of foreign currencies	Depreciation of foreign currencies	Appreciation of foreign currencies	Depreciation of foreign currencies
In case 10% appreciation of USD against TL				
1 - USD Dollars net assets/liabilities	4.978	(4.978)	--	--
2- Amount hedged for USD risk (-)	--	--	2.642	(2.642)
3- USD net effect (1 +2)	**4.978**	**(4.978)**	**2.642**	**(2.642)**
In case 10% appreciation of EUR against TL				
4 - EUR net assets/liabilities	5.948	(5.948)	--	--
5 - Amount hedged for EUR risk (-)	--	--	6.183	(6.183)
6- EUR net effect (4+5)	**5.948**	**(5.948)**	**6.183**	**(6.183)**
In case 10% appreciation of other currency against TL				
7- Net assets/liabilities in other foreign currency	--	--	--	--
8- Amount hedged for other currency risk (-)	--	--	--	--
9- Other currency assets net effect (7+8)	--	--	--	--
TOTAL (3+6+9)	**10.926**	**(10.926)**	**8.825**	**(8.825)**

Foreign Currency Sensitivity Table	**31 December 2020**	
	Profit / Loss	
	Appreciation of foreign currencies	Depreciation of foreign currencies
In case 10% appreciation of USD against TL		
1 - USD Dollars net assets/liabilities	(986)	986
2- Amount hedged for USD risk (-)	--	--
3- USD net effect (1 +2)	**(986)**	**986**
In case 10% appreciation of EUR against TL		
4 - EUR net assets/liabilities	(1.149)	1.149
5 - Amount hedged for EUR risk (-)	--	--
6- EUR net effect (4+5)	**(1.149)**	**1.149**
In case 10% appreciation of other currency against TL		
7- Net assets/liabilities in other foreign currency	--	--
8- Amount hedged for other currency risk (-)	--	--
9- Other currency assets net effect (7+8)	**--**	**--**
TOTAL (3 + 6 +9)	**(2.135)**	**2.135**

(Amounts expressed in thousands of Turkish Lira (“TL”) unless otherwise indicated.)

NOTE 29 - FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

As at 31 December, fair value and carrying amounts of assets and liabilities are shown in the table below:

31 December 2021	**Financial assets at amortized cost**	**Financial assets and liabilities measured by reflecting FV difference in other comprehensive income**	**Financial liabilities at amortised cost**	**Book value**	***Note***
Financial assets					
Cash and cash equivalents	709.408	--	--	709.408	5
Trade receivables (including due from related parties)	155.925	--	--	155.925	7
Other receivables (including due from related parties)	612	--	--	612	8
Derivatives	--	575	--	575	25
Financial liabilities					
Lease liabilities	--	--	209.133	209.133	6
Trade payables (including due to related parties)	--	--	2.428.265	2.428.265	7
Other payables	--	--	5.153	5.153	8

31 December 2020	**Financial assets at amortized cost**	**Financial assets and liabilities measured by reflecting FV difference in other comprehensive income**	**Financial liabilities at amortised cost**	**Book value**	***Note***
Financial assets					
Cash and cash equivalents	392.201	--	--	392.201	*5*
Trade receivables (including due from related parties)	103.297	--	--	103.297	*7*
Other receivables (including due from related parties)	571	--	--	571	*8*
Financial liabilities					
Financial liabilities	--	--	370.058	370.058	*6*
Lease liabilities	--		266.406	266.406	*6*
Trade payables (including due to related parties)	--	--	1.386.364	1.386.364	*7*
Other payables	--	--	2.913	2.913	*8*

The Company management assumes that the carrying values of the financial assets and liabilities are close to their fair value because of their short-term nature.

NOTE 30 - OTHER MATTERS THAT MAY HAVE A MATERIAL EFFECT ON THE FINANCIAL STATEMENTS OR BE EXPLAINED FOR THE CLEAR, INTERPRETABLE AND UNDERSTANDABLE OF THE FINANCIAL STATEMENTS

The Covid-19 outbreak, which was declared as a pandemic by the World Health Organization (WHO) on 11 March 2020, and the measures taken against the pandemic continue to cause disruptions in operations and negatively affect economic conditions in all countries exposed to the pandemic. As a result, asset prices, liquidity, exchange rates, interest rates and many other issues are affected and remain uncertain about the future due to pandemic effects. The Company management follow-up in detail the possible effects of the Covid-19 pandemic on the Company's operations, financial status, financial performance and cash flows in all respects, and detailed evaluations are made and necessary actions are taken in order to minimize its effects.

Company continues to perform omni channel sales activities by adding up Carrefoursa corner store into retail channel in 2020.

As of the end of 2020, the restrictions, resulted from the increase in pandemic measures in Turkey and around the world, have been continued in 2021. The measures taken within the scope of Covid-19 have affected the working hours and days of the stores. For the periods when the stores were closed and there were curfew on weekend within the scope of Covid-19 measures, concessions were provided in lease payments by mutual meetings with the property owners and short-time working allowance was applied for the employees who met the conditions. Company activities in the online channel have increased their impact and importance on financial and operational terms compared to previous periods.

While financial statements dated 31 December 2021, the company evaluated the possible effects of the Covid-19 epidemic on the financial statements and reviewed the estimates and assumptions used in the preparation of the financial statements. In this context, the Company has tested possible impairments that may occur in the financial and non-financial assets in the financial statements and no impairment has been identified.

As of the date of the report, there are no important issues affecting the Company's activities and financial statements except those described in the financial statements.

NOTE 31 – EVENTS AFTER THE REPORTING PERIOD

With the Law No. 7352 Amending the Tax Procedure Law and the Corporate Tax Law published in the Official Gazette dated 29 January 2022 and numbered 31734, and the temporary article 14 was added to the Corporate Tax Law No. 5520, and the foreign currencies and gold accounts included in the balance sheets of 31 December 2021 were added, for taxpayers who convert their accounts to Turkish lira and use the Turkish lira assets thus obtained in Turkish lira deposit and participation accounts with a maturity of at least three months opened in this context, the exchange gains they have obtained in the period between 1 October 2021 and 31 December 2021, maturity corporate tax exemption has been introduced for the 2021 accounting period within the scope of the principles specified in the regulation for the interest and profit shares and other earnings obtained at the end of the year.

With this amendment, the estimated impact of the Company's corporate tax exemption on the financial statements has not been determined.