ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET ANONİM ŞİRKETİ

FINANCIAL STATEMENTS AS OF
31 DECEMBER 2021 AND
INDEPENDENT AUDITOR’S REPORT

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

CONVENIENCE TRANSLATION INTO ENGLISH OF INDEPENDENT AUDITOR'S REPORT ORIGINALLY ISSUED IN TURKISH (TURKISH COPY IS AUTHORITATIVE)

To the General Assembly of Acıselsan Acıpayam Selüloz Sanayi ve Ticaret A.Ş.

A. Audit of the Financial Statements

1. Opinion

We have audited the accompanying financial statements of Acıselsan Acıpayam Selüloz Sanayi ve Ticaret A.Ş. (the "Company") which comprise the statement of financial position as at 31 December 2021 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended and the notes to the financial statements and a summary of significant accounting policies and financial statement notes

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

2. Basis for Opinion

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

3. Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. Key audit matters were addressed in the context of our independent 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.

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Key audit matters	How our audit addressed the key audit matters
Fair value measurements of lands, buildings and investment properties: **(Refer to the Notes 2, 8 and 9)** In accordance with TAS 16, "Property, Plant and Equipment" lands and buildings amounting to TL 11,925,000, and in accordance with TAS 40 "Investment Properties" investment properties amounting to TL 35,515,000 are measured at fair value on the financial statements. Based on the valuations performed by an independent professional valuer as at 31 December 2021, the carrying values of the lands and buildings before tax increased by TL 3,953,184 and credited to the revaluation reserve in equity, net of applicable deferred income tax in the financial position. On the other hand based on the valuations performed by an independent professional valuer as at 31 December 2021, the carrying values of investment properties increased by TL 13,390,000 and recognized under income from investing activities in the income statement. The assessment of the carrying values of lands, buildings and investment properties was a key audit matter, since the total amount of aformentioned lands, buildings and investment properties as of 31 December 2021 represents a significant share of the total assets of the Company, and these valuations include significant estimations and assumptions.	The following audit procedures were addressed in our audit work on the fair value measurement of lands, buildings and investment properties: • We assessed the competency, capability and objectivity of the independent professional valuer who was appointed by Company management, in accordance with relevant audit standards. • We tested completeness of the data used by the independent professional valuation company appointed by the Company management by reconciliation with the Company's records on a sample basis. • In accordance with the provisions of related auditing standard, we got our auditor expert involved on a sample basis to evaluate the assumptions and methods used by the Company management and the independent professional valuer who was appointed by the Company management. • The compliance of the disclosures of fair value determination of lands, buildings and investment properties in the financial statements in accordance with the TFRS's were evaluated.

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

The Company 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.

5. Auditor's Responsibilities for the Audit of the Financial Statements

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

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

As part of an independent audit conducted in accordance with SIA, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in 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.

- Assess the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 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 independent 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 provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence. We also communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the 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.

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B. Other Responsibilities Arising From Regulatory Requirements

1. No matter has come to our attention that is significant according to subparagraph 4 of Article 402 of Turkish Commercial Code ("TCC") No. 6102 and that causes us to believe that the Company's bookkeeping activities concerning the period from 1 January to 31 December 2021 period are not in compliance with the TCC and provisions of the Company's articles of association related to financial reporting.

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

3. In accordance with subparagraph 4 of Article 398 of the TCC, the auditor's report on the early risk identification system and committee was submitted to the Company's Board of Directors on 7 February 2022.

PwC Bağımsız Denetim ve
Serbest Muhasebeci Mali Müşavirlik A.Ş.

Mehmet Karakurt, Partner
Partner

İstanbul, 7 February 2022

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AUDITED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2021

(Amounts are expressed in Turkish Lira (TL))

	Notes	Current Period 31 December 2021	Prior Period 31 December 2020
ASSETS			
Current Assets		**76,378,100**	**26,579,131**
Cash and cash equivalents	28	9,478,887	5,701,063
Trade receivables	4	30,691,030	9,121,481
Trade receivables from third parties	*4*	*30,691,030*	*9,121,481*
Other receivables	5	1,344,108	628,921
Other receivables from third parties		*1,344,108*	*628,921*
Inventories	6	31,871,612	10,445,915
Prepaid expenses	7	1,077,174	22,295
Other current assets	14	1,915,289	659,456
Non-Current Assets		**52,267,419**	**34,780,632**
Financial investments		1,260	1,260
Investment properties	8	35,515,000	22,125,000
Property, plant and equipment	9	16,622,872	12,611,677
Intangible assets	10	128,191	42,599
Other non-current assets		96	96
TOTAL ASSETS		**128,645,519**	**61,359,763**

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

ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.

AUDITED STATEMENT OF FINANCIAL POSITION
AS OF 31 DECEMBER 2021

(Amounts are expressed in Turkish Lira (TL))

	Notes	Current Period 31 December 2021	Prior Period 31 December 2020
LIABILITIES AND EQUITY			
Current Liabilities		**32,815,289**	**5,472,428**
Trade payables	4	17,788,767	3,705,403
Trade payables to third parties		17,788,767	*3,705,403*
Short-term provisions for employee benefits	13	186,374	133,463
Other payables	5	37,106	28,865
Deferred income	7	8,112,233	572,729
Current tax liabilities	23	4,827,899	571,490
Short-term provisions for employee benefits	13	307,518	179,565
Other current liabilities	14	1,555,392	280,913
Non-Current Liabilities		**6,272,798**	**3,910,644**
Long-term provisions for employee benefits	13	1,839,177	1,265,228
Deferred tax liability	23	4,433,621	2,645,416
EQUITY		**89,557,432**	**51,976,691**
Share capital	15	10,721,700	10,721,700
Treasury shares (-)	15	(20,450)	(20,450)
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss		16,642,288	13,155,240
Gain on revaluation of property, plant and equipment	*22*	*16,642,288*	*13,155,240*
Reserves on retained earnings	15	1,095,738	674,630
Retained earnings		26,059,510	16,994,549
Net profit for the period		35,058,646	10,451,022
TOTAL LIABILITIES AND EQUITY		**128,645,519**	**61,359,763**

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

AUDITED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE PERIOD 1 JANUARY – 31 DECEMBER 2021

(Amounts are expressed in Turkish Lira (TL))

	Notes	Current Period 1 January - 31 December 2021	Prior Period 1 January - 31 December 2020
PROFIT OR LOSS			
Revenue	16	111,028,520	47,660,506
Cost of sales (-)	16	(86,856,445)	(34,994,422)
Gross profit from trade activities		**24,172,075**	**12,666,084**
Administrative expenses (-)	17	(3,426,632)	(2,891,186)
Marketing expenses (-)	17	(1,675,398)	(1,127,746)
Other income from operating activities	19	14,260,449	1,442,971
Other expenses from operating activities (-)	19	(3,274,359)	(680,124)
Operating profit		**30,056,135**	**9,409,999**
Income from investing activities	20	13,748,886	3,580,161
Operating profit before finance expense		**43,805,021**	**12,990,160**
Finance expenses	21	(269,011)	(71,400)
Profit before tax		**43,536,010**	**12,918,760**
Current tax expense	23	(7,155,295)	(2,275,618)
Deferred tax (expense) / income	23	(1,322,069)	(192,120)
Profit for the period		**35,058,646**	**10,451,022**
Earning per share	24	3.270	0.975
Other comprehensive income:		**3,487,048**	**501,650**
Other comprehensive income or expenses that will not be reclassified subsequently to profit or loss			
Gain on revaluation of property, plant and equipment	9	3,953,184	577,061
Tax relating to other comprehensive income or expenses that will not be reclassified subsequently to profit or loss			-
Deferred tax expense	23	(466,136)	(75,411)
Total comprehensive income		**38,545,694**	**10,952,672**

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

ACISELSAN ACIPAYAM SELÜLOZ SANAYİ VE TİCARET A.Ş.

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

(Amounts are expressed in Turkish Lira (TL))

			Accumulated Other Comprehensive Income or Expenses that will not be Reclassified Subsequently to Profit or Loss		Retained Earnings		
	Share Capital	Treasury Shares	Gain / Loss on Revaluation and Remeasurement	Restricted Reserves Appropriated from Profit	Prior Years' Profit	Net Profit for the Period	Equity
Balances as of 1 January 2020 (Opening balances)	**10,721,700**	**(20,450)**	**12,653,590**	**420,292**	**8,800,860**	**9,305,763**	**41,881,755**
Transfers	-	-	-	254,338	9,051,425	(9,305,763)	-
Comprehensive income for the period	-	-	501,650	-	-	10,451,022	10,952,672
Dividends	-	-	-	-	(857,736)	-	(857,736)
Balances as of 31 December 2020 (Closing balances)	**10,721,700**	**(20,450)**	**13,155,240**	**674,630**	**16,994,549**	**10,451,022**	**51,976,691**
Balances as of 1 January 2021 (Opening balances)	**10,721,700**	**(20,450)**	**13,155,240**	**674,630**	**16,994,549**	**10,451,022**	**51,976,691**
Transfers	-	-	-	421,108	10,029,914	(10,451,022)	-
Comprehensive income for the period	-	-	3,487,048	-	-	35,058,646	38,545,694
Dividends	-	-	-	-	(964,953)	-	(964,953)
Balances as of 31 December 2021 (Closing balances)	**10,721,700**	**(20,450)**	**16,642,288**	**1,095,738**	**26,059,510**	**35,058,646**	**89,557,432**

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

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

(Amounts are expressed in Turkish Lira (TL))

	Notes	Current Period 1 January- 31 December 2021	Prior Period 1 January- 31 December 2020
A. Cash flows from operating activities			
Profit for the period		**35,058,646**	**10,451,022**
Adjustments to reconcile profit for the period			
- Adjustments related to depreciation and amortization expenses	9, 10	658,231	563,462
- Adjustments to provision for / (reversal of) impairment	4	-	*292,655*
- Adjustments related to provisions		1,004,588	406,066
- Adjustments related to provisions for employee benefits	13	*1,004,588*	*406,066*
- Adjustments related to interest income	20	(357,045)	(353,525)
- Adjustments related to interest expense	21	269,011	15,068
- Adjustments related to gain on fair value of investment properties	8	(13,390,000)	(3,225,000)
- Adjustments related to tax expense	23	8,477,364	2,467,738
		31,720,795	**10,617,486**
Cash outflows from operating activities			
- Adjustments related to increase in trade receivables	4	(21,569,549)	(1,970,731)
- Adjustments related to increase in other receivables		(715,187)	637,860
- Adjustments related to (increase)/decrease in inventories	6	(21,425,697)	(3,391,561)
- (Increase) / decrease in prepaid expenses	7	(1,054,879)	6,462
- Adjustments related to increase in trade payables	4	14,083,364	1,433,763
- Decrease in payables for employee benefits		52,911	(175,090)
- Adjustments related to decrease in other payables	14	1,282,720	(125,117)
- Increase in deferred income	7	7,539,504	111,783
- Adjustments related to increase in other operating assets		(1,255,833)	(57,807)
		8,658,149	7,087,048
Cash generated from operations			
- Payments related to provision for employee benefits	13	(302,686)	(44,873)
- Tax payments	23	(2,898,886)	(2,285,147)
		5,456,577	**4,757,028**

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

(Amounts are expressed in Turkish Lira (TL))

	Notes	Current Period 1 January- 31 December 2021	Prior Period 1 January- 31 December 2020
B. Cash flows from investing activities			
- Payments for property, plant and equipment and intangible assets	9, 10	(801,834)	(722,093)
- Interest received		357,045	353,525
		(444,789)	**(368,568)**
C. Cash flows from financing activities			
- Cash used for repayment of borrowings	25	-	(47,788)
- Dividends paid	15	(964,953)	(857,736)
- Interest paid		(269,011)	(15,068)
		(1,233,964)	**(920,592)**
NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C)		3,777,824	3,467,868
D. CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	28	5,701,063	2,233,195
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD (A+B+C+D)	28	**9,478,887**	**5,701,063**

1. ORGANIZATION AND OPERATIONS OF THE COMPANY

Acıselsan Acıpayam Selüloz Sanayi ve Ticaret A.Ş. ("the Company"), was incorporated in Denizli on 12 April 1973.

The Company's address and principal place of business is Aşağı Mahallesi Acıselsan Cad. No: 25 Acıpayam / Denizli.

The Company operates in production, purchase and sale of cellulose and cellulose derivatives, production, purchase and sale of sodium carboxymethyl derivatives, importation, exportation and trade of any chemical substance, and utilization of production-related waste.

The Company's certificates of shares have been traded in Borsa İstanbul since 2012.

As of 31 December 2021, the average blue-collar personnel number of the Company is 52, and average white-collar personnel number is 17 (31 December 2020: 46 blue-collar, 12 white-collar).

The Company does not have any consolidated associate and subsidiary.

Verusa Holding A.Ş. is the immediate parent of the Company.

Dividend payable

As of the reporting date, the Company management has not taken any resolution related to dividend policy. Dividends are subject to approval of the shareholders in the annual general assembly meeting.

Approval of financial statements

Board of Directors has approved the financial statements and delegated authority for publishing it on 7 February 2022. General Assembly has the authority to modify the financial statements.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Presentation

Statement of Compliance to TFRS

The accompanying financial statements are prepared in accordance with the requirements of Capital Markets Board ("CMB") Communiqué Serial II, No: 14.1 "Basis of Financial Reporting in Capital Markets", which were published in the Official Gazette No:28676 on 13 June 2013. The accompanying financial statements are prepared based on the Turkish Financial Reporting Standards ("TFRS") and Interpretations that have been put into effect by the Public Oversight Accounting and Auditing Standards Authority ("POA") under Article 5 of the Communiqué. Financial statements are presented in accordance with the formats specified in the "Announcement on TMS Taxonomy" published by the POA on April 15, 2019, and the Financial Statement Examples and User Guide.

The accompanying financial statements have been prepared on the historical cost basis except for revaluation of investment properties, lands and buildings.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (cont'd)

2.1 Basis of Presentation (cont'd)

Currency Used

The financial statements of the Company are presented in the currency of the primary economic environment in which the Company operates (its functional currency). The results and financial position of the Company are expressed in TL, which is the functional currency of the Company, and the presentation currency for the financial statements.

Preparation of financial statements in hyperinflationary periods

With the decision taken on 17 March 2005, the CMB has announced that, effective from 1 January 2005, the application of inflation accounting is no longer required for companies operating in Turkey and preparing their financial statements in accordance with TAS. Accordingly, the Company did not apply TAS 29 "Financial Reporting in Hyperinflationary Economies" ("TAS 29") in its financial statements for the accounting periods starting 1 January 2005.

Comparative Information, Adjustment and Reclassification of Prior Period Financial Statements

The financial statements of the Company include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to the changes in the presentation in the current period financial statements, and material differences are disclosed.

2.2 Changes in the Accounting Policies

Significant changes in accounting policies and accounting errors are applied retrospectively and prior periods financial statements are adjusted accordingly. The Company has not made a significant change in its accounting policies in the current year except for new and revised standards disclosed in Note 2.4.

2.3 Changes in Accounting Estimates and Errors

If changes in accounting estimates relate only for one period, changes are applied in the current period but if changes in estimates relate more than one period, changes are applied both in the current and following periods prospectively. The Company has not made a material change related to accounting estimates in the current year.

Significant changes in accounting policies have been applied retrospectively and prior period financial statements are restated.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.4 New and Revised Turkish Accounting Standards

a) Standards, amendments and interpretations applicable as at 31 December 2021:

- **Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform Phase 2;** effective from annual periods beginning on or after 1 January 2021. The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. The Phase 2 amendments provide additional temporary reliefs from applying specific IAS 39 and IFRS 9 hedge accounting requirements to hedging relationships directly affected by IBOR reform.

- **Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9;** effective from annual periods beginning on or after 1 January 2023. These amendments defer the date of application of IFRS 17 by two years to 1 January 2023 and change the fixed date of the temporary exemption in IFRS 4 from applying IFRS 9, Financial instrument until 1 January 2023.

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

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

- **IFRS 17, 'Insurance contracts';** effective from annual periods beginning on or after 1 January 2023. This standard replaces IFRS 4, which currently permits a wide variety of practices in accounting for insurance contracts. IFRS 17 will fundamentally change the accounting by all entities that issue insurance contracts and investment contracts with discretionary participation features.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.4 New and Revised Turkish Accounting Standards (cont'd)

b) Standards, amendments and interpretations that are issued but not effective as at 31 December2021 (cont'd) :

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

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

    - **Amendments to IFRS 3**, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations.
    - **Amendments to IAS 16**, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss.

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

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

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

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

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies

Related Parties

In terms of these financial statements, the partners who have control, joint control or significant effectiveness over the Company, Verusa Group Companies, senior management staff and board members of the Company or Verusa Holding as the main partner, are controlled by them, Companies that are controlled jointly or have important activities on them are accepted and expressed as related parties.

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

(i) has control or joint control over the reporting entity;

(ii) has significant influence over the reporting entity or

(iii) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

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

(i) The entity and the reporting entity are members of the same group (which means that each parent, subsidiary and other subsidiary is associated to the others).

(ii) •The entity's other entity (or a member of a group to which the other entity is a member) if it is an affiliate or joint venture,

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

(iv)One entity is a joint venture of a third entity and the other entity is an affiliate of the third entity.

(v) The entity has a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting business itself has such a plan, the sponsoring employers are also associated with the reporting business.

(vi) The entity is controlled or jointly controlled by a person identified in (a).

(vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Revenue

The Company's revenue mainly comprise sales of cellulose and cellulose derivatives and sodium carboxymethyl derivatives.

The Compnay recognizes revenue when the goods or services is transferred to the customer and when performance obligation is fulfilled. Goods or services are transferred to the customer when the control is transferred over time or at a point in time.

The Company recognizes revenue based on the following main principles:

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

According to this model, firstly, the committed goods or services are evaluated in each contract with customers and each commitment made to transfer the said goods or services is determined as a separate performance obligation. Afterwards, it is determined whether performance obligations will be fulfilled over time or at a certain time. The company transfers control of a good or service over time and therefore fulfills its performance obligations regarding the relevant sales over time, it measures the progress towards the absolutely fulfillment of the performance obligations in question and takes the revenue to the financial statements over time. Revenue related to performance obligations, which is a commitment transfer of goods or services are recognized when the control of goods or services are transfer the customer liablity.

The Company recognized revenue from its customers only when all of the following criteria are met:

(a) The parties to the contract have approved the contract (in writing, orally or in accordance with other customary business practices) and are committed to perform their respective obligations,
(b) The Company can identify each party's rights regarding the goods or services to be transferred,
(c) The Company can identify the payment terms for the goods or services to be transferred;
(d) The contract has commercial substance,
(e) It is probable that the Company will collect the consideration to which it will be entitled in exchange for the goods or services that will be transferred to the customer. In evaluating whether collectability of an amount of consideration is probable, an entity shall consider only the customer's ability and intention to pay that amount of consideration when it is due.

In accordance with the relevant paragraphs of TFRS 15, the performance obligation is fulfilled at a certain time, not spread over time and the Company takes into account indicators for the transfer of control, including, but not limited to:

- the ownership of the right to collect goods or services,
- the customer's constructive possession of the goods or services,
- transfer of the constructive possession of the goods or services,
- the ownership of the property's significant risks and returns
- takes into account the conditions that the customer accepts the good or service.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Trade receivables

Trade receivables arising from providing products or services to a buyer by the company are shown as net off from deferred financial income. Short-term receivables without a determined interest rate are shown in the original invoice values if the interest accrual effect is not very large (Note 4).

Trade receivables resulting from the provision of a product or a service to a buyer by the Company are shown over their original invoice values, unless the effect of accruing interest is significant A doubtful receivable provision for trade receivables is established if there is objective evidence that the Company will not be able to collect all amounts due. Objective evidence is when the receivable is in the litigation or execution phase or preparation, the buyer falls into significant financial difficulty, the buyer is in default, or there will be an unpredictable delay will occur.The amount of provision is the difference between the carrying amount and the recoverable amount.

The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of all cash flows, including amounts recoverable from guarantees and collateral, discounted based on the original effective interest rate of the originated receivables at inception. Also, the Company has applied simplified approach and used impairment matrix for the calculation of impairment on its receivables carried at amortized cost, since they do not comprise of any significant finance component. In accordance with this method, if any provision provided to the trade receivables as a result of a specific events, company measures expected credit loss from these receivables by the life-time expected credit loss. The calculation of expected credit loss is performed based on the past experience of the Company and its expectations for the future indications. If all or part of the doubtful receivable amount is collected, the collected amount is deducted from the doubtful receivable provision and recorded as income in the profit or loss statement.

Trade payables

Trade payables are recorded at their fair value at the date they are included in the financial statements and at the reduced cost value in the following period (Note 4).

Going concern basis

The Company has prepared its financial statements with the going concern basis.

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with the majority being valued on a weighted average basis. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make the sale. When the net realizable value of inventory is less than cost, the inventory is written down to the net realizable value and the expense is included in statement of profit or loss in the period the write-down or loss occurred. When the circumstances that previously caused inventories to be written down below cost no longer exist or when there is clear evidence of an increase in net realizable value because of changed economic circumstances, the amount of the write-down is reversed. The reversal amount is limited to the amount of the original write-down.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Property, Plant and Equipment

Lands and buildings are reflected in the financial statements by deducting the depreciation and depreciation provisions from distribution costs, acquisition of tangible assets until the balance sheet date. Lands and lands, buildings are reflected in the financial statements based on the fair value determined in the valuation studies carried out by an independent professional valuation company as of 31 December 2021. On the date of the revaluation, the accumulation of the relevant tangible fixed asset subject to the appraisal has been revalued by netting the cost of the asset and the subsequent periods.

Increases in the carrying values of lands and buildings resulting from revaluation are credited to the revaluation fund account under equity in the balance sheet, by deducting the deferred tax effect. Valuation increases related to the assets whose impairment was previously reflected in the comprehensive income statement are recorded in the comprehensive income statement in the amount of the said impairment. The decreases corresponding to the increases in the fund of the same asset in the previous period are deducted from the fund; all other decreases are reflected in the comprehensive income statement. Every year, the difference between the depreciation calculated on the revalued amount (depreciation reflected in the comprehensive income statement) and the depreciation on the pre-revaluation cost of the asset is transferred from the revaluation fund to the accumulated profits by deducting the related deferred tax effect.

Buildings are activated and depreciated when their capacities are fully ready for use and their physical condition will meet the specified production capacity. It is estimated that the scrap value of tangible assets is not significant.

Advances given for tangible assets purchases are followed under prepaid expenses under fixed assets until the related asset is activated. In each reporting period, the scrap value of tangible assets is reviewed and necessary adjustments are made prospectively.

Depreciation is calculated by applying linear depreciation method over the tangible assets that are revaluated or expressed at the date of balance sheet. Lands are not depreciated, assuming they have an infinite life.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Property, Plant and Equipment (cont'd)

Economic useful lives of property, plant and equipment are as follows:

	Years
Land improvements	8-25 year
Buildings	30 year
Machinery and equipment	3-20 year
Motor vehicles	4-5 year
Furniture and fixtures	3-20 year
Other tangible fixed assets	4-10 year

Expenditures after activation are added to the cost of the related asset or reflected to the financial statements as a separate asset if it is highly likely to provide economic benefits in the future and the cost of the related expenditure is reliably measured. Tangible assets; it is reviewed for impairment under conditions that indicate that the movable values may be more than their recoverable values. In order to detect impairment, assets are grouped at the lowest level (cash generating units), which are cash generating units. If the value of a tangible asset is more than its recoverable value, the allowance is separated and the book value is reduced to its recoverable value. The recoverable value is the higher of the tangible asset's value in use or the net sales price after deducting the expenses for the sale of the asset.

If the property, plant and equipment that is subject to this impairment is revalued, the impairment is deducted from the fund corresponding to the increases in the revaluation fund in the previous periods and the remaining amount is associated with the comprehensive income statement.

Maintenance and repair expenses are recorded as expense in the comprehensive income statement of the period they occur. The Company removes the carried values from the balance sheet, regardless of whether the parts that are replaced in accordance with the renewals made are depreciated independently from other departments. Major renewals are depreciated based on the shorter remaining life of the relevant tangible asset or the economic life of the renewal itself. Profit or loss obtained from disposal of tangible assets is determined according to the value of tangible assets and is recorded in the related income and expense accounts. In the disposal of the revalued tangible asset, the amount in the revaluation fund related to the disposal of the disposed asset is transferred to the account of previous years' profits by deducting the deferred tax effect.

Intangible Assets

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

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives (3-15 years).

Derecognition of intangible assets

An intangible asset is derecognized on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is derecognized.

Financial assets

Classification and measurement

The Company classified its financial assets in two categories; financial assets carried at amortized cost or financial assets carried at fair value though other comprehensive income. Classification is performed in accordance with the business model determined based on the purpose of benefits from financial assets and expected cash flows. Management performs the classification of financial assets at the acquisition date.

(a) Financial assets carried at amortized cost

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

(b) Financial assets carried at fair value

Assets that are held by the management for collection of contractual cash flows and for selling the financial assets are measured at their fair value. If the management do not plan to dispose these assets in 12 months after the balance sheet date, they are classified as non-current assets. The Compnay make a choice for the equity instruments during the initial recognition and elect profit or loss or other comprehensive income for the presentation of fair value gain and loss.

Financial assets, the fair value of which is reflected in other comprehensive income, include "financial investments" in the statement of financial position. In case the assets with fair value difference recorded in other comprehensive income are sold, the valuation difference classified into other comprehensive income is classified in previous years' profits.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Effects of Exchange Differences

Foreign Currency Transaction and Balance Amounts

In preparing the financial statements of the individual entities, transactions in currencies other than TL (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognized in profit or loss in the period in which they arise except for exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets where they are regarded as an adjustment to interest costs on those foreign currency borrowings;

Earnings Per Share

Earnings per share disclosed in the statement of comprehensive income are determined by dividing net earnings by the weighted average number of shares that have been outstanding during the related period.

In Turkey, companies can increase their share capital by making a pro-rata distribution of shares ("bonus shares") to existing shareholders from retained earnings on equity items. Such kind of bonus shares are taken into consideration in the computation of earnings per share as issued share certificates. Therefore, the weighted average stock share, which is used in the calculation of earnings per share, is determined by retrospective application of bonus share issue.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Events After the Reporting Period

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.

Provisions, Contingent Assets and Liabilities

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

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

When some or all of the 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.

Investment Properties

As of 31 December 2021, after the evaluation made by the Company management, Instead of being used in the production of goods and services or for administrative purposes or during the normal course of business, the land held for the purpose of obtaining rent or appreciation or both are classified as investment properties. Investment properties are reflected in the financial statements at the fair value determined in the valuation studies performed by an independent professional valuation company as of 31 December 2021. In subsequent measurements, gains or losses arising from fair value changes are accounted for in the profit or loss statement.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Income Taxes

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the statement of profit or loss because of items of income or expense that are taxable or deductible in other years and it excludes items that are never taxable or deductible. The Company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax liability or asset 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.

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

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Income Taxes (cont'd)

Current and deferred tax for the period

The tax is included in the statement of profit or loss, provided it is not related to a transaction that is accounted directly under equity. Otherwise, the tax is also accounted under equity together with the related transaction.

Employee Benefits

Termination and retirement benefits

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 TAS 19 *Employee Benefits* ("TAS 19").

The retirement benefit obligation recognized in the statement of financial position represents the present value of the defined benefit obligation. The actuarial gains and losses are recognized in other comprehensive income.

Statement of Cash Flows

In the cash flow statement, cash flows related to the period are classified and reported based on business, investment and financial activities. Cash flows from operating activities indicate cash flows from the activities of the Company. Cash flows related to investment activities show the cash flows used and obtained by the Company in investment activities (fixed asset investments and financial investments). Cash flows related to financing activities show the resources used by the Company in financing activities and repayments of these resources. Cash and cash equivalents include cash and bank deposits, and short-term investments with high liquidity that can easily be converted into a specific amount of cash, with a maturity of 3 months or less.

Capital and Dividends

Ordinary shares are classified as capital. The capital increase made to the existing shareholders is recorded with the nominal value approved. Dividends distributed over ordinary shares are recorded as profit distribution in the period they are announced.

Netting / Offsetting

Any item that is important in terms of content and amount, even in a similar nature, is shown separately in the financial statements. Non-significant amounts are aggregated in terms of items that are similar in terms of their bases or functions. As a result of the fact that the essence of the transaction and the event requires the deduction, the display of this transaction and the event over the net amounts or the monitoring of the assets after the deduction of the impairment is not considered as a violation of the non-deduction rule. As a result of the transactions carried out by the Company within the normal business flow, the revenues obtained from the income defined in the section titled "Revenue" are shown on the basis of their net values, provided that they comply with the substance of the transaction or event.

2. BASIS OF PRESENTATION OF THE FINANCIAL STATEMENTS (cont'd)

2.5 Summary of Significant Accounting Policies (cont'd)

Segment Reporting

The business segments are evaluated in parallel with the internal reporting and strategic departments submitted to the bodies or individuals authorized to make decisions regarding the activities of the Company. The bodies and individuals authorized to make strategic decisions regarding the activities of the Company are defined as the senior executives of the Company in order to make decisions regarding the resources to be allocated to these departments and evaluate the performance of the departments.

The field of activity of the Company, the nature and economic features of the products, production processes, classification according to the risks of the customers and the methods used in the distribution of the products are similar. In addition, the Company organizational structure was formed in the way that the Company was managed by a single activity instead of being managed in separate segments containing different activities. For these reasons, the operations of the Company are considered as a single segment and the operating results of the Company, determination of the resources to be allocated to these activities and the analysis of the performance of these activities are evaluated within this framework.

2.6 Critical Accounting Judgments and Key Sources of Estimation Uncertainty

The preparation of financial statements requires the Company management to use estimates and assumptions affecting the reported amounts of assets and liabilities, and determining liabilities and guarantees that are probable to occur as of the reporting of the statement of finanical position and income and expense amounts as of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, actual results ultimately may differ from those estimates. Estimates are regularly reviewed, related corrections are adjusted and recıgnized in the statement of profit or loss for the period in which they are incurred.

Fair value measurements of the Company's land, buildings and investment properties

The Company's land , buildings and investment properties are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation. The fair value measurements of the Company's freehold land and buildings as at 31 December 2021 were performed by Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş., an independent valuer not related to the Company, and by the Company management. The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. There has been no change to the valuation technique during the year. Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş. is authorized by CMB, and render services in accordance with capital market regulations.

According to the provisions in IAS 36 "Impairment of Assets" standard, the values determined by the peer value approach method were first reflected in the financial statements, and it was concluded that there are no impairment indicators.

(Amounts are expressed in Turkish Lira (TL))

3. RELATED PARTY DISCLOSURES

Details of transactions between the Company and other related parties are disclosed below:

	1 January - 31 December 2021	
Transactions with related parties	Interest income	Electricity expenses
Shareholders		
Verusa Holding A.Ş.	80,194	-
Other companies controlled by the parent		
Ata Elektrik Enerjisi Toptan Satış A.Ş.	-	3,254,633
	80,194	3,254,633

	1 January - 31 December 2020	
Transactions with related parties	Interest income	Electricity expenses
Shareholders		
Verusa Holding A.Ş.	302,956	-
Other companies controlled by the parent		
Ata Elektrik Enerjisi Toptan Satış A.Ş.	-	1,696,214
	302,956	1,696,214

Compensation of key management personnel:

Key management personnel consist of members of Board of Directors and the general manager. The compensation of key management personnel consist of payments to the management personnel in scope of the attendance fee.

The compensation of key management during the period are as follows:

	1 January- 31 December 2021	1 January- 31 December 2020
Salaries and other short term benefits	1,034,070	851,570
	1,034,070	851,570

(Amounts are expressed in Turkish Lira (TL))

4. TRADE RECEIVABLES AND PAYABLES

a) Trade Receivables:

The details of the Company's trade receivables as of balance sheet date are as follows:

Current trade receivables	31 December 2021	31 December 2020
Trade receivables	31,787,734	10,210,755
Notes receivable	-	7,500
Allowance for doubtful receivables (-)	(1,096,704)	(1,096,774)
	30,691,030	9,121,481

Trade receivables comprise receivables from customers for products sold in normal workflow. The maturity of trade receivables that are classified as current trade receivable is generally 45 days (31 December 2020: 45). The Company has trade receivables to collect its contractual cash flows, and measures these receivables at amortized cost by using effective interest method.

The Company measures impairment on trade receivables in accordance with lifetime expected credit loss. Expected credit losses in trade receivables is estimated by using provision matrix created by considering the past default experience of customers, analyzing present financial position and taking into consideration the general economic conditions of the industry in which the customer operates and the conditions in the reporting period. As of 31 December 2021, the Company's allowances for doubtful receivables is TL 1,096,704 (31 December 2020: TL 1,096,774).

Movements of allowance for doubtful receivables are as follows:

	1 January-31 December 2021	1 January-31 December 2020
Opening balance	1,096,774	804,119
Charge for the period	-	292,655
Collections or uncollectible receivables	(70)	-
Closing balance	1,096,704	1,096,774

Explanations about the nature and level of risks related to trade receivables are provided in Note 26.

(Amounts are expressed in Turkish Lira (TL))

4. TRADE RECEIVABLES AND PAYABLES (cont'd)

b) Trade Payables:

The details of the Company's trade payables as of balance sheet date are as follows:

Current trade payables	31 December 2021	31 December 2020
Trade payables	17,788,767	3,705,403
	17,788,767	3,705,403

The weighted average maturity for trade payables is 45 days (31 December 2020: 24 days).

5. OTHER RECEIVABLES AND PAYABLES

a) Other Receivables

Other Current Receivables	31 December 2021	31 December 2020
VAT receivable	409,673	80,387
Deposits and guarantees given (*)	934,415	548,534
Other	20	-
	1,344,108	628,921

(*) It comprises deposits and guarantees given to customs and banks.

b) Other Payables

Other Current Payables	31 December 2021	31 December 2020
Other	37,106	28,865

6. INVENTORIES

	31 December 2021	31 December 2020
Raw materials	20,518,140	5,997,898
Work in process	2,028,392	884,848
Finished goods	5,683,140	2,167,068
Goods in transit	3,627,200	1,387,901
Other inventory	14,740	8,200
	31,871,612	10,445,915

The cost of inventories amounting to TL 68,359,140 (2020: TL 25,665,336) is recognized as an expense under the cost of goods sold.

(Amounts are expressed in Turkish Lira (TL))

7. PREPAID EXPENSES AND DEFERRED INCOME

Short-Term Prepaid Expenses	31 December 2021	31 December 2020
Order advances given for inventory purchase	997,071	-
Prepaid expenses	57,110	22,295
Other	22,993	-
	1,077,174	22,295

Short-Term Deferred Income	31 December 2021	31 December 2020
Order advances received	8,112,233	572,729
	8,112,233	572,729

8. INVESTMENT PROPERTIES

	Land
Opening balance as of 1 January 2021	22,125,000
Gain on change in fair value	13,390,000
Closing balance as of 31 December 2021	35,515,000

	Land
Opening balance as of 1 January 2020	18,900,000
Gain on change in fair value	3,225,000
Closing balance as of 31 December 2020	22,125,000

Fair value measurement of the Company's investment properties

The fair value measurements of the Company's investment properties were performed by Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş., an independent valuer not related to the Company, and by the Company management.

8. INVESTMENT PROPERTIES (cont'd)

Details of the Company's investment properties and information about the fair value hierarchy are as follows:

		Fair value as of the reporting date		
	31 December 2021	Level 1 TL	Level 2 TL	Level 3 TL
Land	35,515,000	-	35,515,000	-

		Fair value as of the reporting date		
	31 December 2020	Level 1 TL	Level 2 TL	Level 3 TL
Land	22,125,000	-	22,125,000	-

There were no transfers between Levels 1 and 2 during the period.

(Amounts are expressed in Turkish Lira (TL))

9. PROPERTY, PLANT AND EQUIPMENT

	Land	Land improvements	Buildings	Plant, machinery and equipment	Motor vehicles	Furniture and fixtures	Other fixed assets	Construction in progress	Total
Cost Value									
Opening balance as of 1 January 2021	5,510,000	525,309	4,879,720	5,147,872	619,520	526,994	128,261	-	17,337,676
Additions	-	98,143	-	182,955	228,553	106,307	-	82,930	698,888
Gain on valuation of property, plant and equipment	3,245,000	-	708,184	-	-	-	-	-	3,953,184
Closing balance as of 31 December 2021	8,755,000	623,452	5,587,904	5,330,827	848,073	633,301	128,261	82,930	21,989,748
Accumulated Depreciation									
Opening balance as of 1 January 2021	-	165,230	2,329,720	1,571,941	355,622	263,051	40,435	-	4,725,999
Charge for the period	-	39,937	88,184	287,011	135,515	75,216	15,014	-	640,877
Closing balance as of 31 December 2021	-	205,167	2,417,904	1,858,952	491,137	338,267	55,449	-	5,366,876
Carrying value as of 31 December 2021	8,755,000	418,285	3,170,000	3,471,875	356,936	295,034	72,812	82,930	16,622,872

(Amounts are expressed in Turkish Lira (TL))

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Land	Land improvements	Buildings	Plant, machinery and equipment	Motor vehicles	Furniture and fixtures	Other fixed assets	Construction in progress	Total
Cost Value									
Opening balance as of 1 January 2020	5,110,000	525,309	4,702,659	4,514,313	619,520	460,346	110,385	9,551	16,052,083
Additions	-	-	-	77,786	-	66,648	17,876	546,222	708,532
Gain on valuation of property, plant and equipment	400,000	-	177,061	-	-	-	-	-	577,061
Transfers from constructions in progress	-	-	-	555,773	-	-	-	(555,773)	-
Closing balance as of 31 December 2020	5,510,000	525,309	4,879,720	5,147,872	619,520	526,994	128,261	-	17,337,676
Accumulated Depreciation									
Opening balance as of 1 January 2020	-	133,272	2,247,659	1,311,868	254,389	202,145	25,687	-	4,175,020
Charge for the period	-	31,958	82,061	260,073	101,233	60,906	14,748	-	550,979
Closing balance as of 31 December 2020	-	165,230	2,329,720	1,571,941	355,622	263,051	40,435	-	4,725,999
Carrying value as of 31 December 2020	5,510,000	360,079	2,550,000	3,575,931	263,898	263,943	87,826	-	12,611,677

(Amounts are expressed in Turkish Lira (TL))

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The following useful lives are used in the calculation of depreciation:

	Useful Life
Land improvements	8-25 years
Buildings	30 years
Plant, machinery and	3-20 years
Motor vehicles	4-5 years
Furniture and fixtures	3-20 years
Other fixed assets	4-10 years

Depreciation and amortization expense of TL 455,906 (31 December 2020: TL 374,986) has been charged in 'cost of goods sold', TL 166,530 (31 December 2020: TL 152,564) in 'general administrative expenses' and TL 35,795 (31 December 2020: TL 35,912) in 'marketing, selling and distribution expenses'.

There is no pledge and mortgage on property, plant and equipment detailed above.

Fair value measurement of the Company's freehold land and buildings

The Company's land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation,. The fair value measurements of the Company's freehold land and buildings as at 31 December 2021 were performed by Lotus Gayrimenkul Değerleme ve Danışmanlık A.Ş., an independent valuer not related to the Company.

Details of the Company's land and buildings and information about the fair value hierarchy are as follows:

		Fair value as of the reporting date		
	31 December 2021	Level 1 TL	Level 2 TL	Level 3 TL
Land	8,755,000	-	8,755,000	-
Building	3,170,000	-	3,170,000	-

(Amounts are expressed in Turkish Lira (TL))

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Fair value measurement of the Company's freehold land and buildings (cont'd)

		Fair value as of the reporting date		
	31 December 2020	Level 1 TL	Level 2 TL	Level 3 TL
Land	5,510,000	-	5,510,000	-
Building	2,550,000	-	2,550,000	-

There were no transfers between Level 1 and Level 2 during the period.

The net book values of the Company's buildings when valued based historical cost are as follows:

	31 December 2021	31 December 2020
Cost	1,808,187	1,808,187
Accumulated depreciation	(633,142)	(584,090)
Net book value	1,175,045	1,224,097

10. INTANGIBLE ASSETS

Cost Value	Rights
Opening balance as of 1 January 2021	116,295
Additions	102,946
Closing balance as of 31 December 2021	219,241
Accumulated Amortization	
Opening balance as of 1 January 2021	73,696
Charge for the period	17,354
Closing balance as of 31 December 2021	91,050
Carrying value as of 31 December 2021	128,191

(Amounts are expressed in Turkish Lira (TL))

10. INTANGIBLE ASSETS (cont'd)

Cost Value	Rights
Opening balance as of 1 January 2020	102,734
Additions	13,561
Closing balance as of 31 December 2020	116,295
Accumulated Amortization	
Opening balance as of 1 January 2020	61,213
Charge for the period	12,483
Closing balance as of 31 December 2020	73,696
Carrying value as of 31 December 2020	42,599

The useful lives are used in the calculation of amortization are as follows:

	Useful life
Rights	3-15 years

11. PROVISIONS, CONTINGENT ASSETS AND LIABILITIES

None (31 December 2020: None).

12. COMMITMENTS

As of 31 December 2021, the total amount of the guarantees given by the Company is TL 816,607 (31 December 2020: None).

13. EMPLOYEE BENEFITS

	31 December 2021	31 December 2020
Social security premiums payable	185,394	133,048
Other	980	415
	186,374	133,463

Short-term provisions for employee benefits

	31 December 2021	31 December 2020
Unused vacation provision	307,518	179,565

13. EMPLOYEE BENEFITS (cont'd)

Long-term provisions for employee benefits

Provision for employee termination benefits:

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

The amount payable consists of one month's salary limited to a maximum of TL 8,284.51 for each period of service at 31 December 2021 (31 December 2020: TL 7,117.17).

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

The principal assumption is that the maximum liability for each year of service will increase parallel with inflation. Thus, 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: 4.70%). Estimated amount of retirement pay not paid due to voluntary leaves is also taken into consideration as 2.07% (2020: 2.11%) for employees with 0-15 years of service, and 0% for those 16 or more years of service. Ceiling amount for retirement pay is revised annually, and the ceiling amount of TL 10,576.94 which is 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 principal assumptions used in the calculation of retirement pay liability are discount rate and anticipated turnover rate.

If the discount rate had been 1% (lower)/higher, provision for employee termination benefits would (increase) TL 213,028 and decrease by TL 183,038.

If the anticipated turnover rate had been 1% lower / (higher) while all other variables were held constant, provision for employee termination benefits would decrease by TL 74,935 TL and increase by TL 85,902.

(Amounts are expressed in Turkish Lira (TL))

13. EMPLOYEE BENEFITS (cont'd)

Long-term provisions for employee benefits (cont'd)

Employee termination benefits (cont'd):

Movement of provision for employee termination benefits is as follows:

	2021	2020
Provision as of 1 January	1,265,228	862,145
Service cost	817,163	405,943
Interest cost	59,472	42,013
Employment termination benefits paid	(302,686)	(44,873)
Provision as of 31 December	1,839,177	1,265,228

14. OTHER ASSETS AND LIABILITIES

Other Current Assets	31 December 2021	31 December 2020
Deferred VAT	40,685	-
Other VAT	1,789,554	610,094
Other	85,050	49,362
	1,915,289	659,456

Other Current Liabilities	31 December 2021	31 December 2020
VAT payable	1,339,300	199,839
Tax and funds payable	216,092	81,074
	1,555,392	280,913

15. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS

a) Share Capital

As of 31 December 2021 and 2020, the Company's paid-in capital held is as follows:

Shareholders	31 December 2021	%	31 December 2020	%
Verusa Holding A.Ş.	5,071,149	% 47.30	5,071,149	% 47.30
Public shares	5,650,551	% 52.70	5,650,551	% 52.70
Nominal capital	10,721,700	%100	10,721,700	%100

Public shares of the Company's capital are traded in Borsa İstanbul (BİST). The Company adopted the registered share capital, and the ceiling amount of the Company's registered share capital is TL 30,000,000; and its issued share capital is TL 10,721,700 (31 December 2020: TL 10,721,700). The capital is divided into 10,721,700 shares with a par value of TL 1; there is no privileged share.

(Amounts are expressed in Turkish Lira (TL))

15. SHARE CAPITAL, RESERVES AND OTHER EQUITY ITEMS (cont'd)

b) Reserves on Retained Earnings

	31 December 2021	31 December 2020
Legal reserves	1,095,738	674,630

The Company, reserves 5% of the historical statutory profit as first legal reserve, until the total reserve reaches 20% of the historical paid in share capital according to Turkish Commercial Law. The other legal reserve is appropriated at the rate of 10% per annum of all cash dividend distributions after the payment of dividends to the shareholders at a rate of 5%. According to Turkish Commercial Law, general legal reserves can only be used if it does not exceed the capital or issued capital for close the losses, continue the business when business is not going well or end the unemployment and to take suitable precuations to reduce the results of unemployment.

c) Treasury Shares

	31 December 2021	31 December 2020
Treasury shares	(20,450)	(20,450)

The Company has purchased shares from BIST with the nominal amount of TL 20,450 in consideration of TL 74,643 in 2016. The nominal amount of share purchased is recognized in treasury shares under equity, and the difference amounting to TL 54,193 between purchase value and nominal share value is recognized in retained earnings under equity.

Profit Distribution:

Listed companies process their profit distributions according to the II-19.1 numbered CMB profit distribution communique that is effective as of 1 February 2014.

Companies distribute dividends in accordance with their dividend payment policies settled and dividend payment decision taken in general assembly and also in conformity with relevant legislations. The communique does not constitute a minimum dividend rate. Companies distribute dividend in accordance with the method defined in their dividend policy or articles of incorporation.

In the 30 July 2021 dated General Assembly meeting, cash dividend amounting to TL 964,953 at the rate of 9.00% issued capital is decided to be distributed and the profit distribution was realized on 6 August 2021.

(Amounts are expressed in Turkish Lira (TL))

16. REVENUE AND COST OF SALES

a) Sales	1 January- 31 December 2021	1 January- 31 December 2020
Domestic Sales		
Detergent	6,021,096	4,430,595
Technical Glue	2,934,932	2,240,902
Low Viscosity Drilling	4,745,639	617,891
Other	4,835,155	525,894
Export Sales		
Detergent	39,149,032	21,332,794
Technical Dye	4,719,406	2,517,541
Technical Glue	2,985,910	4,488,749
Low Viscosity Drilling	45,756,429	11,603,363
Sales returns (-)	(12,320)	(40,415)
Sales discounts (-)	(106,759)	(56,808)
	111,028,520	47,660,506

b) Cost of Sales	1 January- 31 December 2021	1 January- 31 December 2020
Raw materials	(73,018,756)	(27,396,346)
Personnel expenses (*)	(5,281,701)	(4,234,280)
Production overheads	(12,759,698)	(4,719,820)
Depreciation and amortization expenses (Note 9, 10)	(455,906)	(374,986)
Change in work-in-progress inventories (Note 6)	1,143,544	406,462
Change in finished goods inventories (Note 6)	3,516,072	1,328,745
	(86,856,445)	(34,990,225)
Cost of merchandises sold	-	(4,197)
	(86,856,445)	(34,994,422)

(*) Expenses from provisions for employment termination benefits are recognized under personnel expenses.

(Amounts are expressed in Turkish Lira (TL))

17. GENERAL ADMINISTRATIVE EXPENSES AND MARKETING EXPENSES

	1 January-31 December 2021	1 January-31 December 2020
Administrative expenses (-)	3,426,632	2,891,186
Marketing expenses (-)	1,675,398	1,127,746
	5,102,030	4,018,932

Administrative expenses (-)	1 January-31 December 2021	1 January-31 December 2020
Personnel expenses (*)	2,410,915	1,956,057
Consultancy expenses	155,261	197,320
Depreciation and amortization expenses (Note 9, 10)	166,530	152,564
Tax expenses	149,762	118,174
CMB and Borsa İstanbul expenses	118,193	32,068
Energy expenses	110,000	78,000
Lawyer expenses	35,307	47,580
Maintenance and repair expenses	29,845	29,466
Communication expenses	17,732	14,117
Other expenses	233,087	265,840
	3,426,632	2,891,186

(*) Expenses from provisions for employment termination benefits are recognized under personnel expenses.

Marketing expenses (-)	1 January-31 December 2021	1 January-31 December 2020
Personnel expenses	673,344	551,716
Export expenses	687,265	330,608
Insurance expenses	128,298	66,138
Depreciation and amortization expenses (Note 9, 10)	35,795	35,912
Exhibition expenses	3,621	44,298
Other expenses	147,075	99,074
	1,675,398	1,127,746

(Amounts are expressed in Turkish Lira (TL))

18. EXPENSES BY NATURE

	1 January- 31 December 2021	1 January- 31 December 2020
Raw material expenses	(73,018,756)	(27,396,346)
Production overheads	(12,759,698)	(4,719,820)
Personnel expenses	(8,365,960)	(6,742,053)
Depreciation and amortization expenses (Note 9,10)	(658,231)	(563,462)
Export expenses	(687,265)	(330,608)
Consultancy expenses	(158,882)	(241,618)
Tax expenses	(149,762)	(118,174)
Insurance expenses	(128,298)	(66,138)
Lawyer expenses	(35,307)	(47,580)
Maintenance and repair expenses	(29,845)	(29,466)
Energy expenses	(110,000)	(78,000)
Change in inventories of finished goods (Note 6)	3,516,072	1,328,745
Change in inventories of work in progress (Note 6)	1,143,544	406,462
Other expenses	(516,087)	(415,296)
	(91,958,475)	(39,013,354)

19. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other Income from Operating Activities

	1 January- 31 December 2021	1 January- 31 December 2020
Foreign exchange gains from operations	13,990,990	1,329,825
Other income	269,459	113,146
	14,260,449	1,442,971

Other Expenses from Operating Activities

	1 January- 31 December 2021	1 January- 31 December 2020
Foreign exchange losses from operations	3,156,143	350,714
Provision for doubtful receivables (Note 4)	-	292,655
Other expenses	118,216	36,755
	3,274,359	680,124

(Amounts are expressed in Turkish Lira (TL))

20. INCOME AND EXPENSES FROM INVESTMENT ACTIVITIES

	1 January-31 December 2021	1 January-31 December 2020
Increase on fair values of investment properties	13,390,000	3,225,000
Interest income	357,045	353,525
Other	1,841	1,636
	13,748,886	3,580,161

21. FINANCE EXPENSES

	1 January-31 December 2021	1 January-31 December 2020
Interest expenses on bank loans	99,183	15,068
Commission expenses	169,828	56,332
	269,011	71,400

22. ANALYSIS OF OTHER COMPREHENSIVE INCOME ITEMS

Properties Revaluation Reserve

	31 December 2021	31 December 2020
Properties revaluation reserve	16,642,288	13,155,240
	16,642,288	13,155,240

Properties revaluation reserve	1 January-31 December 2021	1 January-31 December 2020
Opening balance	13,155,240	12,653,590
Gain on revaluation of land and buildings	3,953,184	577,061
Deferred tax liability arising from revaluation	(466,136)	(75,411)
Closing balance	16,642,288	13,155,240

(Amounts are expressed in Turkish Lira (TL))

23. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES)

	31 December 2021	31 December 2020
Current tax liability:		
Current corporate tax provision	7,155,295	2,275,618
Less: prepaid taxes and funds	2,327,396	1,704,128
	4,827,899	571,490

Tax expense in the statement of profit or loss:	1 January- 31 December 2021	1 January- 31 December 2020
Tax expense comprises:		
Current tax expense	7,155,295	2,275,618
Deferred tax expense	1,322,069	192,120
Total tax expense	8,477,364	2,467,738

Tax recognized directly in equity

Deferred tax	1 January- 31 December 2021	1 January- 31 December 2020
Charged directly to equity:		
- Revaluations of property, plant and equipment	(466,136)	(75,411)
Total deferred tax expense charged directly to equity	(466,136)	(75,411)

Corporate Tax:

The Company is subject to corporation tax applicable in Turkey. The Company's current period results of operations for the estimated necessary tax liabilities accounted in the financial statements.

The corporate tax rate to be accrued over the taxable corporate income is the deduction of the expenses that cannot be deducted from the tax base and the tax exemptions, non-taxable income and other discounts (if any, previous year losses and investment discounts used if preferred). it is calculated.

The effective tax rate in 2021 is 25% (2020: 22%).

The Law numbered 7061 on Amendment of Certain Taxes and Laws and Other Acts was published on the Official Gazette dated 5 December 2017 and numbered 30261. Article 5 entitled "Exceptions" of the Corporate Tax Law has been amended in Article 89 of the Law. In accordance with (a) clause in the first paragraph of the Article, the exemption of 75% applied to gains from the sales of lands and buildings held by the entities for two full years has been reduced to rate of 50%. This regulation has been effective from 5 December 2017.

(Amounts are expressed in Turkish Lira (TL))

23. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

The law on amending the Tax Procedure Law and the Corporate Tax Law has been enacted on 20 January 2022 with the code numbered 7532 and it has been decided that the financial statements will not be subject to inflation adjustment in 2021 and 2022, including the temporary accounting periods, and in the provisional tax periods in 2023, regardless of whether the conditions for the inflation adjustment within the scope of the repeated Article 298 are met. According to the Law code numbered 7352, inflation adjustment will be applied to the financial statements dated 31 December 2023, and the profit/loss difference arising from the inflation adjustment will be accounted in the previous years' profit/loss account and will not be included in the tax calculation.

POA made a declaration on the Implementation of Financial Reporting in High Inflation Economies in the scope of TFRS on 20 January 2022, and it has been stated that there is no need to make any adjustments within the scope of TAS 29 Financial Reporting in Hyperinflationary Economies in the consolidated financial statements for 2021.

Deferred Tax:

The Company recognizes deferred tax assets and liabilities based upon temporary differences arising between its financial statements as reported for TAS purposes and its statutory tax financial statements. These differences usually are results in the recognition of revenue and expenses in different reporting periods for TAS and tax purposes and they are given below.

Deferred tax (assets)/liabilities base:	31 December 2021	31 December 2020
Revaluation differences	(46,310,133)	(28,966,949)
Depreciation / amortization differences of property, plant and equipment and other intangible assets	(239,804)	(267,566)
Provision for employment termination benefits	1,839,177	1,265,228
Unused vacation liabilities	307,518	179,565
Other	154,790	799,799
	(44,248,452)	(26,989,923)

(Amounts are expressed in Turkish Lira (TL))

23. INCOME TAXES (INCLUDING DEFERRED TAX ASSETS AND LIABILITIES) (cont'd)

Deferred tax (assets)/liabilities:	31 December 2021	31 December 2020
Revaluation differences	4,963,823	3,158,688
Depreciation / amortization differences of property, plant and equipment and other intangible assets	(69,905)	(64,353)
Provision for employment termination benefits	(367,835)	(253,046)
Unused vacation liabilities	(61,504)	(35,913)
Other	(30,958)	(159,960)
	4,433,621	2,645,416

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

Movement of deferred tax (assets)/liabilities	2021	2020
Opening balance as of 1 January	2,645,416	2,377,885
Charged to profit or loss	1,322,069	192,120
Charged to equity	466,136	75,411
Closing balance as of 31 December	4,433,621	2,645,416

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

Reconciliation of tax provision:	1 January-31 December 2021	1 January-31 December 2020
Profit from continuing operations	43,536,010	12,918,760
Income tax rate	% 25	% 22
	10,884,003	2,842,127
Tax effects of:		
- expenses that are not deductible in determining taxable profit	31,108	9,312
- exemption from gain on sale of properties - deferred tax effect	(2,008,500)	(383,408)
- other	(429,247)	(293)
Income tax expense recognised in profit or loss	8,477,364	2,467,738

(Amounts are expressed in Turkish Lira (TL))

24. EARNINGS PER SHARE

	1 January- 31 December 2021	1 January- 31 December 2020
Weighted Average Number of Ordinary Shares Outstanding During the Period with Nominal Amount of TL 1	10,721,700	10,721,700
Net Profit for the Period	35,058,646	10,451,022
Earning per Share (TL)	3.270	0.975

25. FINANCIAL INSTRUMENTS

None.

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

a) Capital risk management

The Company manages its capital to ensure that the Company will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of equity items comprising cash and cash equivalents, issued capital, reserves and retained earnings.

The Company's Board of Directors analyzes the capital structure if it is required, in addition to its routine meetings. During these analyses, the Board evaluates the cost of capital and the risks associated to each capital classification. Depending on the evaluations of the Board, the Company aims to balance the capital structure with new loan acquisition or the repayment of existing loans as well as dividend payments and new share issuance.

In addition and consistent with others in the industry, the Compnay management 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 borrowings (including 'current and non-current borrowings' as shown in the statement of financial position) less cash and cash equivalents.

The Company's strategy has not been changed from 2017.

b) Financial Risk Factors:

The Company's activities expose it to market risk (currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Company's risk management programme generaly focuses on uncertainty in financial markets and minimizing potential negative effects on Company's financial performance.

Risk management is performed by the Committee of Early Detection of Risk in accordance with the policies approved by the Board of Directors. In accordance with the risk policies, financial risk is identified, evaluated, and some instruments are used to decrease risk by working together with the Company's operation units.

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management

In order to minimise credit risk, the Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Company monitors the credibility of the parties with whom they perform transactions The credit rating information is supplied by independent rating agencies where available and, if not available, the Company uses other publicly available financial information and its own trading records to rate its major customers. The Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Before accepting any new customer, credit limits by customer are determined and defined after the assessment of the potential customer's credit quality.

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased. Additionally, the Company management evaluates the trade payables and financial assets on a customer and asset basis at the end of the period and ensures that the required provisions for the non-collectible amounts are reflected in the financial statements. In this context, the Company management believes that the Company's credit risk has decreased significantly as of the reporting date.

Overview of the Company's exposure to credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. As of 31 December 2021, the Company's maximum exposure to credit risk due to failure to discharge an obligation by the counterparties arises from:

- The carrying amount of financial assets in the statement of financial position.

In order to minimize the credit risk, the Company has performed credit ratings considering the default risks of the counterparties and categorized the related parties. The Company's current credit risk rating methodology includes the following categories:

(Amounts are expressed in Turkish Lira (TL))

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

Overview of the Company's exposure to credit risk (cont'd)

Category	Description	Basis for recognizing expected credit losses
Performing	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime expected credit losses
Doubtful	Amount is >120 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime expected credit losses – not credit impaired
In default	Amount is >360 days past due or there is evidence indicating the asset is credit-impaired	Lifetime expected credit losses – credit impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Company has no realistic prospect of recovery	Amount is written off

The tables below detail the credit quality of the Company's financial assets and other items, as well as the Company's maximum exposure to credit risk by credit risk rating grades:

31 December 2021	Note	Lifetime expected credit losses?	Gross carrying amount	Loss allowance	Net carrying amount
Trade and other receivables (i)	4, 5	(1,096,704)	33,131,842	(1,096,704)	32,035,138
Bank deposits	28	(-)	9,478,767	(-)	9,478,767

31 December 2020	Note	Lifetime expected credit losses?	Gross carrying amount	Loss allowance	Net carrying amount
Trade and other receivables (i)	4, 5	(1,096,774)	10,847,176	(1,096,774)	9,750,402
Bank deposits	28	(-)	5,700,524	(-)	5,700,524

(i) For trade receivables, the Company has applied the simplified approach in TFRS 9 to measure the loss allowance at lifetime expected credit losses. The Company determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions.

(Amounts are expressed in Turkish Lira (TL))

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

Details of credit risk by class of financial instruments	**Receivables**			
	Trade Receivables Other Party	**Other Receivables Related Party**	**Deposits at Banks**	**Financial Investments**
31 December 2021				
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (*)	30,691,030	-	9,478,767	1,260
- Secured portion of the maximum credit risk by guarantees (**)	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	30,691,030	-	9,478,767	1,260
B. Net book value of financial assets that are past due but not impaired	-	-	-	-
C. Net book value of the impaired assets				
- Past due (gross amount)	1,096,704	-	-	-
- Impairment (-)	(1,096,704)	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-
- Not past due (gross amount)	-	-	-	-
- Impairment (-)	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-
		-		
D. Off-balance sheet items include credit risk	-	-	-	-

(*) The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.
(**) Guarantees consist of guarantee letters, guarantee checks and mortgages obtained from the customers.

(Amounts are expressed in Turkish Lira (TL))

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

Details of credit risk by class of financial instruments	**Receivables**			
	Trade Receivables	**Other Receivables**		
31 December 2020	**Other Party**	**Related Party**	**Deposits at Banks**	**Financial Investments**
Maximum credit risk exposed as of balance sheet date (A+B+C+D) (*)	9,121,481	-	5,700,524	1,260
- Secured portion of the maximum credit risk by guarantees (**)	-	-	-	-
A. Net book value of financial assets that are neither past due nor impaired	9,121,481	-	5,700,524	1,260
B. Net book value of financial assets that are past due but not impaired	-	-	-	-
C. Net book value of the impaired assets	-	-	-	-
- Past due (gross amount)	1,096,774	-	-	-
- Impairment (-)	(1,096,774)	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-
- Not past due (gross amount)	-	-	-	-
- Impairment (-)	-	-	-	-
- Secured portion of the net book value by guarantees, etc.	-	-	-	-
D. Off-balance sheet items include credit risk	-	-	-	-

(*) The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.
(**) Guarantees consist of guarantee letters, guarantee checks and mortgages obtained from the customers.

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.1) Credit risk management (cont'd)

Trade receivables	**31 December 2021**	**31 December 2020**
Past due between 1-5 years	1,096,704	1,096,774
Less: impairment	(1,096,704)	(1,096,774)
Total	-	-

The factors that increase the credit reliability, such as guarantees received are not considered in the determination of the balance.

In the impairment tests, the payments made after the reporting period have been concluded that the receivables that the related receivables originated were not impaired as a result of the payment performance of the previous periods. It has been working with relevant customers for a long time and there are no significant amounts they do not pay.

b.2) Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Company's short, medium and long-term funding and liquidity management requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The table below shows the Company's non-derivative and financial liabilities with maturity distribution with repayment periods in accordance with the contract. Financial liabilities are prepared without discounting and based on the earliest dates to pay. Interests to be paid on the said liabilities are included in the table below. The amount announced when the receivables or debts are not fixed is determined by using the interest rate obtained from the yield curves at the date of the report.

(Amounts are expressed in Turkish Lira (TL))

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.2) Liquidity risk management (cont'd)

Liquidity risk table:

Since the Company takes into account the expected maturity for its non-derivative financial liabilities, the cash flows resulting from financial liabilities based on the expected maturity are presented seperately:

31 December 2021

Contract terms	Carrying Valu	Total contracted cash outflows (I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)
Financial liabilities					
Trade payables	17,788,767	17,788,767	17,788,767	-	-
Other payables	37,106	37,106	37,106	-	-
Total liabilities	17,825,873	17,825,873	17,825,873	-	-

31 December 2020

Contract terms	Carrying Valu	Total contracted cash outflows (I+II+III+IV)	Less than 3 months (I)	3 to 12 months (II)	1 to 5 years (III)
Financial liabilities					
Trade payables	3,705,403	3,705,403	3,705,403	-	-
Other payables	28,865	28,865	28,865	-	-
Total liabilities	3,734,268	3,734,268	3,734,268	-	-

b.3) Market risk management

The Company's activities expose primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Market risk exposures are also supplemented by sensitivity analysis.

In the current year, there has been no change in the Company's market risk subjected and its management and measurement methods for the risks subjected, in comparison with the prior year.

b.3.1) Foreign currency risk management

Transactions denominated in foreign currencies result in foreign currency risk.

The carrying amounts of the Company's foreign currency denominated monetary and non-monetary assets and monetary and non-monetary liabilities as of he balance sheet date are as follows:

(Amounts are expressed in Turkish Lira (TL))

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

	31 December 2021		
	TL Equivalent (Functional Currency)	**USD**	**Euro**
1. Trade Receivables	29,352,776	2,070,148	116,644
2a. Monetary Financial Assets	9,628,621	653,790	60,600
2b. Non-Monetary Financial Assets	-	-	-
3. Other	-	-	-
4. CURRENT ASSETS	38,981,397	2,723,938	177,244
5. Trade Receivables	-	-	-
6a. Monetary Financial Assets	-	-	-
6b. Non-Monetary Financial Assets	-	-	-
7. Other	-	-	-
8. NON-CURRENT ASSETS	-	-	-
9. TOTAL ASSETS	38,981,397	2,723,938	177,244
10. Trade Payables	9,617,305	437,814	249,517
11. Financial Liabilities	-	-	-
12a. Other Monetary Financial Liabilities	7,604,387	569,489	-
12b. Other Non-Monetary Financial Liabilities	-	-	-
13. CURRENT LIABILITIES	17,221,692	1,007,303	249,517
14. Trade Payables	-	-	-
15. Financial Liabilities	-	-	-
16a. Other Monetary Financial Liabilities	-	-	-
16b. Other Non-Monetary Financial Liabilities	-	-	-
17. NON-CURRENT LIABILITIES	-	-	-
18. TOTAL LIABILITIES	17,221,692	1,007,303	249,517
19. Net asset/liability position of off-balance sheet derivatives (19a-19b)	-	-	-
19.a Off-balance sheet foreign currency derivative assets	-	-	-
19.b Off-balance sheet foreign currency derivative liabilities	-	-	-
20. Net foreign currency liability position	21,759,705	1,716,635	(72,273)
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	21,759,705	1,716,635	(72,273)
22. Fair value of foreign currency hedged financial assets	-	-	-
23. Hedged foreign currency assets	-	-	-
24. Hedged foreign currency liabilities	-	-	-

(Amounts are expressed in Turkish Lira (TL))

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

	31 December 2020		
	TL (Functional Currency)	**USD**	**Euro**
1. Trade Receivables	6,735,705	769,938	120,336
2a. Monetary Financial Assets	2,702,356	324,334	35,700
2b. Non-Monetary Financial Assets	-	-	-
3. Other	-	-	-
4. CURRENT ASSETS	9,438,061	1,094,272	156,036
5. Trade Receivables	-	-	-
6a. Monetary Financial Assets	-	-	-
6b. Non-Monetary Financial Assets	-	-	-
7. Other	-	-	-
8. NON-CURRENT ASSETS	-	-	-
9. TOTAL ASSETS	9,438,061	1,094,272	156,036
10. Trade Payables	95,362	9,678	2,700
11. Financial Liabilities	-	-	-
12a. Other Monetary Financial Liabilities	436,592	48,061	9,303
12b. Other Non-Monetary Financial Liabilities	-	-	-
13. CURRENT LIABILITIES	531,954	57,739	12,003
14. Trade Payables	-	-	-
15. Financial Liabilities	-	-	-
16a. Other Monetary Financial Liabilities	-	-	-
16b. Other Non-Monetary Financial Liabilities	-	-	-
17. NON-CURRENT LIABILITIES	-	-	-
18. TOTAL LIABILITIES	531,954	57,739	12,003
19. Net asset/liability position of off-balance sheet derivatives (19a-19b)	-	-	-
19.a Off-balance sheet foreign currency derivative assets	-	-	-
19.b Off-balance sheet foreign currency derivative liabilities	-	-	-
20. Net foreign currency liability position	8,906,107	1,036,533	144,033
21. Net foreign currency asset / liability position of monetary items (1+2a+5+6a-10-11-12a-14-15-16a)	8,906,107	1,036,533	144,033
22. Fair value of foreign currency hedged financial assets	-	-	-
23. Hedged foreign currency assets	-	-	-
24. Hedged foreign currency liabilities	-	-	-

26. NATURE AND LEVEL OF RISKS ARISING FROM FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Factors (cont'd)

b.3) Market risk management (cont'd)

b.3.1) Foreign currency risk management (cont'd)

Interest rate sensitivity

The Company is exposed to foreign exchange risk primarily with respect to US Dollar and EURO. The following table details the Company's sensitivity to a 20% increase and decrease in US Dollar and EURO against TL. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates. A positive number below indicates an increase in profit or equity.

	31 December 2021	
	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
In case 20% appreciation in USD against TL		
1 - US Dollar net asset / liability	4,576,206	(4,576,206)
2- US Dollar net effect	4,576,206	(4,576,206)
In case 20% appreciation in EURO against TL		
3 - EURO net asset / liability	(218,072)	218,072
4- EURO net effect	(218,072)	218,072
Total (2 + 4)	4,358,134	(4,358,134)

	31 December 2020	
	Profit / Loss	
	Appreciation of foreign currency	Depreciation of foreign currency
In case 20% appreciation in USD against TL		
1 - US Dollar net asset / liability	1,521,734	(1,521,734)
2- US Dollar net effect	1,521,734	(1,521,734)
In case 20% appreciation in EURO against TL		
3 - EURO net asset / liability	259,487	(259,487)
4- EURO net effect	259,487	(259,487)
Total (2 + 4)	1,781,221	(1,781,221)

b.3.2) Interest rate risk management

The Company borrows only at fixed interest rates. Therefore, the Company is not subject to interest rate risk.

(Amounts are expressed in Turkish Lira (TL))

27. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING)

Categories of financial instruments and fair values

31 December 2021	Financial assets at amortized cost	Financial liabilities at amortized cost	Carrying value	Note
Financial assets				
Cash and cash equivalents	9,478,887	-	9,478,887	28
Trade receivables	30,691,030	-	30,691,030	4
Financial liabilities				
Trade payables	-	17,788,767	17,788,767	4
Other payables to related parties	-	37,106	37,106	3

31 December 2020	Financial assets at amortized cost	Financial liabilities at amortized cost	Carrying value	Note
Financial assets				
Cash and cash equivalents	5,701,063	-	5,701,063	28
Trade receivables	9,121,481	-	9,121,481	4
Financial liabilities				
Trade payables	-	3,705,403	3,705,403	4
Other payables to related parties	-	28,865	28,865	3

(Amounts are expressed in Turkish Lira (TL))

27. FINANCIAL INSTRUMENTS (FAIR VALUE DISCLOSURES AND EXPLANATIONS ON HEDGE ACCOUNTING) (cont'd)

Fair Value of Financial Instruments (cont'd)

The fair value of financial assets and liabilities is assigned as below:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities,
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices),
- Level 3: Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs)

28. NOTES ON STATEMENT OF CASH FLOWS

	31 December 2021	31 December 2020
Cash on hand	120	539
Cash at banks	9,478,767	5,700,524
Demand deposits	*9,478,767*	*2,400,524*
Time deposits	-	*3,300,000*
	9,478,887	5,701,063

Explanations about the nature and level of risks related to cash and cash equivalents are provided in Note 26.

The maturity and interest rates of the Company's time deposits as of 31 December 2020 and 2019 are detailed as follows:

Original currency	Maturity	Interest rate	Original balance	31 December 2020
Turkish Lira	January 2021	%19	3,300,000	3,300,000
				3,300,000

29. FEES FOR SERVICES RECEIVED FROM INDEPENDENT AUDITOR'S

The Company's explanation regarding the fees for the services received from the independent audit firms, which is based on the letter of POAASA dated 19 August 2021, the preparation principles of which are based on the Board Decision published in the Official Gazette on 30 March 2021, are as follows. The independent audit fee for the reporting period is TL 143,000 (31 December 2020: TL 124,300). There is no service other than the audit received from the independent audit firm.

30. EVENTS AFTER THE REPORTING PERIOD

None.