FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31 DECEMBER 2019

(CONVENIENCE TRANSLATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS ORIGINALLY ISSUED IN TURKISH)

INDEPENDENT AUDITOR'S REPORT

To the General Assembly of Fonet Bilgi Teknolojileri Anonim Şirketi

A. Audit of the Consolidated Financial Statements

1. Opinion

We have audited the accompanying consolidated financial statements of Fonet Bilgi Teknolojileri Anonim Şirketi (the "Company") and its subsidiaries (collectively referred to as the "Group"), which comprise the consolidated statement of financial position as at 31 December 2019 and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended and the notes to the consolidated financial statements and a summary of significant accounting policies and consolidated financial statement notes.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2019, 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 issued by the Public Oversight Accounting and Auditing Standards Authority (the "POA") and Independent audit standards published by the Capital Markets Board ("CMB"). Our responsibilities under these standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We hereby declare that we are independent of the Group in accordance with the Ethical Rules for Independent Auditors (the "Ethical Rules") and the ethical requirements regarding independent audit in regulations issued by POA that are relevant to our audit of the financial statements. We have also fulfilled our other ethical responsibilities in accordance with the Ethical Rules and regulations. We believe that the audit evidence we have obtained during the independent audit provides a sufficient and appropriate basis for our opinion.

3. Key Audit Matters

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

Audit Matters	Procedures Applied for Key Audit Matters
Test of intangible assets capitalized within the enterprise Development Costs In the financial statements of the Group dated December 31, 2019, there are development costs of 13.726.455 TL, which were capitalized in 2019. The Group takes into account TAS 38 "Intangible Assets" standard and explanations in footnote 2 in capitalizing the costs it incurs in relation to development costs. For the projects that the Group has completed its feasibility studies and believes will provide cash flow in the future; it activates the costs related to the personnel of the employees related to the software development processes and the costs of consultancies received from this scope within the scope of the development activities. Activation is done by calculating according to the rates determined within the framework of the estimates and assumptions made by the management and project managers and the time when the personnel works on the development activities. As the capitalization calculations are significant in terms of financial statements and contain the estimations of the management, it has been determined as a key audit issue.	The following procedures have been applied for the control of development costs. It was understood how the criteria in TAS 38 “Intangible Assets” were met by discussing with the group management. Details of the projects and details of the feasibility studies of the future economic benefits of the project were understood by interviewing the project managers. Project-based costs related to capitalized costs were detailed and controlled by the movement table of intangible assets. For the testing of personnel costs associated with the projects, each project was broken down on the basis of staff and capitalized costs, verifying the staff with their payrolls. The personnel subject to the activation were selected by sampling method and interviews were made and the development activities they realized within the scope of the projects they were involved in were understood. Regarding external consultancy, the contents of the consultancy received were understood and detailed tests were carried out regarding their amounts.

Audit Matters	Procedures Applied for Key Audit Matters
Revenue Recording When the Group fulfills (or brings) the obligation to perform by transferring a committed goods or service to its customer, the revenue is included in the financial statements. The majority of the group's revenue consists of sales of Fonet HBYS software and sales of services and hardware products related to the sale. Due to the nature of the operations of the Group, there is a risk of not separating the amounts corresponding to the periods by evaluating the services it sells and collects throughout the contract. Based on the above-mentioned explanations, in accordance with the periodicity principle of sales, it is determined as the key audit subject whether	**How the matter is handled in the audit** In our audit, the following procedures have been followed to record revenue accurately and accurately: The revenue process of the Group and the design and implementation of the controls designed by the management in this process were examined. Assurance work was carried out for general controls of both operational and financial information systems applications in the process. Contracts with customers were examined and the effects of contract items on revenue were evaluated. The terms of the contracts are determined. Within the scope of the audit works, service sales data and records were tested on a sample basis. In addition, the procedures for the relevant account correlation and

the revenue of contractual services in this case is recorded in the correct period. Explanations regarding the Group's revenue-related accounting policies and amounts are included in Note 2 and Note 20.	analysis were applied using the material verification procedures and data analytics tools on revenue. In order to test the integrity and accuracy of the data used in these studies, the data obtained from accounting systems and collection information were compared.

Audit Matters	**Procedures Applied for Key Audit Matters**
Recoverability of commercial receivables As of December 31, 2019, total trade receivables amounting to TL 7.650.170 constitute an important part of financial statements. In determining the provision for impairment calculated for trade receivables, factors such as the ability of the debtor to pay, the data regarding the receivables that were not collected in previous periods, the extraordinary conditions arising in the current sector and the current economic environment, the guarantees received from the customers, the payment performances of the customers and the maturity analysis of the receivables are taken into consideration and estimates made according to these studies are accounted for. In this context, this issue was identified as one of the key audit matters, since the determination of the amount of impairment allowance for trade receivables includes significant level of management judgment and assumptions.	**How the matter is handled in the audit** Our audit procedures in this area include the following. The process regarding the collection follow-up of the Group's trade receivables was analyzed, and the design and operational effectiveness of the internal controls for credit risk were tested in the process. Aging study of receivables was analyzed analytically and the collection turnover rate was compared with the previous period. Whether there is any dispute or lawsuit regarding the collection was investigated and the recoverability of the receivables was evaluated. For the trade receivables, the letters of reconciliation were sent and the existence of the receivable and the accuracy of the balances were tested. Some of the trade receivables have been tested with alternative methods, and the accuracy of the balances has been checked by checking the contract, receipt, invoice and collection.

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

The Group management is responsible for the preparation and fair presentation of the financial statements in accordance with TFRSs, 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 Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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

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 ISAs, we exercise professional judgment and maintain professional skepticism 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 Group '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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our independent auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- 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.

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 2019 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 17 February 2020.

Mercek Bağımsız Denetim ve YMM A.Ş.
17 February 2020, Istanbul

Mehmet Ferruh ÖZGÜÇ
Partner

CONTENTS **Page No**

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL POSITIONS (BALANCE SHEETS)
FOR THE PERIODS ENDED 31 DECEMBER 2019 and 2018

ASSETS	Note	Audited 31 December 2019	Audited 31 December 2018
Current Assets		**12.073.777**	**15.649.467**
Cash and cash equivalents	5	2.927.899	6.095.046
Financial assets	6	-	-
Trade Receivables			
Reletad parties	26	-	-
Third parties	8	7.650.170	8.498.367
Other receivables			
Reletad parties	26	-	-
Third parties	9	213.821	166.962
Inventories	10	522.616	687.865
Prepaid expenses			
Reletad parties	26	-	-
Third parties	11	640.520	162.974
Current income tax assets	27	92.995	20.789
Other current assets			
Reletad parties	26	-	-
Third parties	18	25.756	17.464
Non Current Assets		**67.247.753**	**57.245.160**
Financial assets	6	-	-
Trade Receivables			
Reletad parties	26	-	-
Third parties	8	-	-
Other receivables			
Reletad parties	26	-	-
Third parties	9	39.380	39.380
Investment properties	14	1.416.058	-
Tangible fixed assets	12	4.726.109	4.651.329
Intangible assets	13	58.579.889	49.208.765
Prepaid expenses			
Reletad parties	26	-	-
Third parties	11	773.211	-
Deferred tax assets	27	1.713.106	3.345.686
Other noncurrent assets			
Reletad parties	26	-	-
Third parties	18	-	-
TOTAL ASSETS		**79.321.530**	**72.894.627**

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

CONSOLIDATED FINANCIAL POSITIONS (BALANCE SHEETS)
FOR THE PERIODS ENDED 31 DECEMBER 2019 and 2018
(All amounts expressed in Turkish Lira (TL) unless otherwise stated.)

LIABILITIES	Note	Audited 31 December 2019	Audited 31 December 2018
Current Liabilities		**9.131.688**	**15.778.011**
Shortterm borrowings	7	1.187.593	254.899
Current portion of longterm borrowings	7	65.418	1.476.120
Other financials borrowings	7	212.168	130.097
Trade payables			
Reletad parties	26	-	-
Third parties	8	1.368.436	2.031.577
Other payables			
Reletad parties	26	-	94.645
Third parties	9	651.341	816.297
Employee benefit obligations	17	2.471.601	1.983.953
Deferred income			
Reletad parties	26	-	-
Third parties	11	2.291.805	7.993.086
Taxation on income	27	-	-
Shortterm provisions			
Shortterm provisions for employee benefits	17	299.181	350.469
Other shortterm provisions	16	584.145	549.765
Other current liabilities			
Reletad parties	26	-	-
Third parties	18	-	97.103
Non Current Liabilities		**3.277.258**	**4.519.571**
Longterm borrowings	7	1.020.879	46.858
Trade payables		-	-
Reletad parties	26	-	-
Third parties	8	-	-
Other payables			
Reletad parties	26	-	-
Third parties	9	-	-
Deferred income			
Reletad parties	26		
Third parties	11	-	2.263.889
Longterm provisions			
Longterm provisions for employee benefits	17	902.491	675.428
Other longterm provisions	16	-	-
Deferred tax liability	27	1.353.888	1.533.396
Other current liabilities	18	-	-
Equity		**66.912.584**	**52.597.045**
Equity holders of the parent		**66.912.584**	**52.597.045**
Paidin capital	19	40.000.000	18.000.000
Share premium	19	-	11.496.200
Other comprehensive income/loss not to be reclassified to profit or loss	19	-	-
Defined Benefit Plans Remeasurement Gains / (Losses)	19	(783.508)	(448.017)
Other comprehensive Income/Loss to be reclassified to Profit or Loss	19	-	-
Restricted reserves allocated from profits	19	1.749.772	818.198
Previous year profits / (loss)	19	11.295.290	10.494.235
Net income/(loss) for the period		14.651.030	12.236.429
Non-controlling interests		-	-
TOTAL LIABILITIES AND EQUITY		**79.321.530**	**72.894.627**

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

FONET BİLGİ TEKNOLOJİLERİ A.Ş.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS and OTHER COMPREHENSIVE INCOME
FOR THE PERIODS ENDED 31 DECEMBER 2019 AND 2018
(All amounts expressed in Turkish Lira (TL) unless otherwise stated.)

PROFIT OR LOSS	Note	Audited 01.01.-31.12.2019	Audited 01.01.-31.12.2018
Sales revenue	20	49.104.006	35.714.280
Cost of sales(-)	20	(29.924.672)	(20.129.581)
GROSS PROFIT / (LOSS)		**19.179.334**	**15.584.699**
General aAdministrative expenses (-)	21	(5.196.207)	(4.721.448)
Marketing, selling and distribution expenses (-)	21	(1.346.260)	(882.094)
Research and development expenses (-)	21	(4.447)	(15.971)
Other operating incomes	22	4.104.516	2.658.337
Other operating expenses (-)	22	(586.632)	(826.229)
OPERATING PROFIT / (LOSS)		**16.150.304**	**11.797.294**
Income from investment activities	23	584.126	196.580
Expense from investment activities	23	-	-
OPERATING PROFIT BEFORE FINANCIAL INCOME/(EXPENSE)		**16.734.430**	**11.993.874**
Financial incomes	24	-	-
Financial expenses (-)	24	(535.702)	(649.478)
PROFIT/(LOSS) BEFORE TAX FROM CONTINUED OPERATIONS		**16.198.728**	**11.344.396**
Tax Income/Expense of Continued Operations		**(1.547.698)**	**892.033**
Current Income Tax Expense	27	-	-
Deferred Tax Income/(Expense)	27	(1.547.698)	892.033
NET PROFIT/(LOSS) FROM CONTINUED OPERATIONS		**14.651.030**	**12.236.429**
Earnings per Share from Continued Operations		-	-
NET PROFIT/ (LOSS) FOR THE YEAR		**14.651.030**	**12.236.429**
Attributable to		**14.651.030**	**12.236.429**
Non-controlling interest		-	-
Equity holders of the parent		14.651.030	12.236.429
Earnings per Share from Continued Operations	28	**0,37**	**0,68**
NET PROFIT/ (LOSS) FOR THE YEAR		**14.651.030**	**12.236.429**
OTHER COMPREHENSIVE INCOME /(LOSS)			
Not to be reclassified to profit or loss			
Actuarial gain/loss arising from defined benefit plans	25	(430.117)	(227.788)
Tax (expense)/income of other comprehensive income	25	94.626	50.113
To be reclassified to profit or loss		-	-
Currency translation tdjustment		-	-
OTHER COMPREHENSIVE INCOME /(LOSS)		**(335.491)**	**(177.675)**
TOTAL COMPREHENSIVE INCOME		**14.315.539**	**12.058.754**
Attributable to		**14.315.539**	**12.058.754**
Non-controlling interest		-	-
Equity holders of the parent		14.315.539	12.058.754

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENS OF CHANGES IN EQUITY
FOR THE PERIODS ENDED 31 DECEMBER 2019 and 2018
(All amounts expressed in Turkish Lira (TL) unless otherwise stated.)

				Other comprehensive income/loss not to be		Other comprehensive		Retained Earnings				
	Note	Paid Capital	Share premium	Other Gains (Losses)	Actuarial gain/(loss) arising from defined benefit plans	Income/Loss to be reclassified to Profit or Loss	Restricted reserves allocated from profits	Previous year profits / (loss)	Net income/(loss) for the period	Equity holders OF Parent	Non-controlling interest	Total equity
Balances at 01 January 2018	**19**	**18.000.000**	**11.496.200**	**-**	**(270.342)**	**-**	**590.856**	**6.624.152**	**4.097.425**	**40.538.291**	**-**	**40.538.291**
Capital increase		-	-	-	-	-	-	-	-	-	-	-
Transfers		-	-	-	-	-	227.342	3.870.083	(4.097.425)	-	-	-
Total comprehensive income / (loss)												
Net profit / (loss) for the year		-	-	-	-	-	-	-	12.236.429	12.236.429	-	12.236.429
Other comprehensive income / (loss)		-	-	-	(177.675)	-	-	-	-	(177.675)	-	(177.675)
Balances at 31 December 2018	**19**	**18.000.000**	**11.496.200**	**-**	**(448.017)**	**-**	**818.198**	**10.494.235**	**12.236.429**	**52.597.045**	**-**	**52.597.045**
Capital increase		-	-	-	-	-	-	-	-	-	-	-
Transfers		22.000.000	(11.496.200)	-	-	-	931.574	801.055	(12.236.429)	-	-	-
Total comprehensive income / (loss)												
Net profit / (loss) for the year		-	-	-	-	-	-	-	14.651.030	14.651.030	-	14.651.030
Other comprehensive income / (loss)		-	-	-	(335.491)	-	-	-	-	(335.491)	-	(335.491)
Balances at 31 December 2019	**19**	**40.000.000**	**-**	**-**	**(783.508)**	**-**	**1.749.772**	**11.295.290**	**14.651.030**	**66.912.584**	**-**	**66.912.584**

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

FONET BİLGİ TEKNOLOJİLERİ ANONİM ŞİRKETİ

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIODS ENDED 31 DECEMBER 2019 AND 2018
(All amounts expressed in Turkish Lira (TL) unless otherwise stated.)

	Note	Audited 01.01.-31.12.2019	Audited 01.01.-31.12.2018
A. CASH FLOW FROM OPERATING ACTIVITIES			
Profit /(Loss) Before Tax		**14.651.030**	**12.236.429**
Adjustments to Reconcile Cash Flow Generated from Operating Activities:			
Adjustments for depreciation and amortization	12-13	5.402.771	4.007.890
Adjustments for provision for employee benefits	17	30.216	169.092
Adjustments for provision for law suits	16	34.380	28.429
Adjustment for deferred financing expenses	8	(16.909)	(98.918)
Adjustment for deferred financing incomes	8	115.060	318.477
Adjustments for provision for doubtful receivables	8	571.229	362.048
Adjustments for interest expense	24	203.761	454.737
Other adjustments regarding profit (loss) reconciliation	11	(2.263.889)	(10.097.222)
Adjustments for tax income/ (loss)	27	1.547.698	(892.033)
Operating Profit before Working Capital Changes		**20.275.347**	**6.488.929**
Adjustments for decrease (increase) in trade receivables	8	161.908	(4.704.136)
Adjustments for decrease (increase) in other receivables	9-26	(46.859)	86.427
Adjustments for decrease (increase) in inventories	10	165.249	(430.507)
Adjustments for increase (decrease) in trade payables	8	(646.232)	856.945
Adjustments for decrease (increase) in other payables	9	(259.601)	625.175
Increase (decrease) in employee benefit liabilities	16	487.648	355.099
Change in other current and non-current assets		932.634	10.581.297
Change in short-term and long-term liabilities		(8.062.273)	10.323.439
Cash Flows Generated From Operating Activities		**13.007.821**	**24.182.668**
Paids related to employee benefits	18	(284.558)	(170.782)
Tax expenses (-)	27	-	-
Net Cash Generated From Operating Activities		**12.723.263**	**24.011.886**
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Cash provided from sales of tangible fixed assets	12	-	-
Cash Provided from sales of intangible fixed assets	13	-	-
Cash outflows arising from purchase of fixed assets	12	(1.111.167)	(2.002.218)
Cash outflows arising from purchase of intangible fixed assets	13	(13.737.508)	(17.479.646)
Other cash inflows / (outflows)	14	(1.416.058)	-
Net Cash Used In Investing Activities		**(16.264.733)**	**(19.481.864)**
C. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash provided from stock issuance		-	-
Change in borrowings	7	578.084	(1.275.504)
Interest received	24	-	-
Interest paid	24	(203.761)	(454.737)
Net Cash Used in Financing Activities		**374.323**	**(1.730.241)**
Net Increase In Cash And Cash Equivalents	5	(3.167.147)	2.799.781
Cash And Cash Equivalents At The Beginning Of The Period	5	6.095.046	3.295.265
Cash And Cash Equivalents At The End Of The Period		**2.927.899**	**6.095.046**

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

1. ORGANIZATION AND OPERATIONS OF THE GROUP

Fonet Bilgi Teknolojileri Anonim Şirketi ("The Company") has been founded in 1997 to provide computer software and technical support (designing, developing, implementing, operating, maintaining and consulting services in information technology) to Public and Private Institutions.

The Company is located and providing its main services Kızılırmak Mah. Ufuk Üniversitesi Cad. 1445 Sokak No:2 The Paragon Tower İş Merkezi B Blok 1-6 Çukurambar Çankaya Ankara – TURKEY. Besides the Company has also two branches in Istanbul and Şanlıurfa and has a liaison Office in Stockholm in Sweden.

The centrel address building has been rented for 5 year with an agreement signed in 15.08.2017.

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

The Company's main brand is hospital information management system (Fonet HBYS). Fonet HBYS enables the management of hospitals' business processes within the automation system. Fonet HBYS consists of approximately 56 separate software modules. All of the software modules belong to Fonet.

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

The average number of employee working in the Group as of 31 December 2019 is 129 (31 December 2018: 113).

1. ORGANIZATION AND OPERATIONS OF THE GROUP (Cont'd)

Detailed information about the personnel is as follows

	31 December 2019	31 December 2018
Permanent contracted personnel of the Group	129	113
Determined time contract personnel of the Group within the scope of contracts with hospitals	331	341
Total	**460**	**454**

The Shaheholders structure of the Company is as follow:

	31 December 2019		31 December 2018	
Shareholders	**Share Amount**	**Rate %**	**Share Amount**	**Rate %**
Abdülkerim GAZEN	23.333.333	58,33%	10.500.000	58,33%
Publicly traded	16.666.667	41,67%	7.500.000	41,67%
Total paid capital	**40.000.000**	**100,00%**	**18.000.000**	**100,00%**

The Company's issued capital consists of 40.000.000 shares, all with a par value of 1 Turkish Liras each as at 31 December 2019 (31 December 2018: 18.000.000 shares).

The Company has increased its capital from TL 18.000.000 to TL 40.000.000 with the decision of the Board of Directors dated 27.05.2019. The increased capital has been provided from previous profit amont of 10.503.000 and share Premium amount of 11.496.200 TL. The capital increase transactions were announced in Turkey Trade Registry Gazette dated 07.24.2019 and numbered 9875.

The Company's registered capital ceiling amount is 100.000.000 TL, all with a par value of 1 Turkish Liras and total shares are 100.000.000. The permission of the registered capital ceiling valid date is between 2019-2023.

The Company is registered to the Capital Markets Board ("CMB") and its shares have been quoted on the Borsa Istanbul ("BIST") since 2017. As of June 30, 2019, the publicly listed shares are 41,67% of the total shares. (December 31, 2018: 41,67%

After the capital increase, 2.222.000 shares of the 40,000,000 shares are Group A and 37.778.000 shares are Group B. The Group A shares have the privilege regarding the determination of the members of the board of directors and the right to vote in the general assembly.

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

The Company has accepted the registered capital system in accordance with the provisions of the Capital Market Law and has been involved to the registered capital system with the permission of the Capital Markets Board dated 27.02.2015 and numbered 5/253.

Consolidated subsidiary details are as follows:

Pidata Bilişim Teknolojileri Anonim Şirketi ("Pidata"), was established on 16 July 2018 and registered in Ankara. The establishing of the company was announced in the Turkish Trade Registry Gazette dated July 19, 2018 and numbered 9624. All of the shares of Pidata belong to The Fonet. From now on, it will be referred as "Group" or "Community" together with Fonet and Pidata

Company Tittle	Main operating activity	Main operating activity Type	Country	Established Year
Pidata Bilişim Teknolojileri A.Ş.	Information Tecnology	Service	Türkiye/Ankara	2018

2. BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS

2.1. Financial reporting standards

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

The consolidated financial statements are presented in accordance with "Announcement regarding with TAS Taxonomy" which was published by POA and the format and mandatory information recommended by CMB.

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for companies operating in Turkey. The Group has prepared its consolidated financial statements in accordance with this decision. Consolidated financial statements have been prepared under the historical cost convention except for the derivative instruments and available for sale financial assets presented at fair values and revaluations related to the differences between carrying value and fair value of tangible and intangible assets arising from business combinations.

Comparative Information

The financial statements of the Group include comparative financial information to enable the determination of the financial position and performance. Comparative figures are reclassified, where necessary, to conform to changes in presentation in the current year financial statements and the significant changes are explained.

Currency Used In The Financial Statements

The financial statements of the Group is presented in the currency (functional currency) of the economic environment in which the Group operate. Financial position and results of operations of the Group are stated in Turkish Lira (TL) which is the Group's ruling currency and presentation currency for financial statements.

Termination of Inflation Accounting Practice

With the decision taken on March 17, 2005, the CMB announced that, effective from January 1, 2005, the application of inflation accounting is no longer required for companies operating in Turkey. The Group has prepared its consolidated financial statements in accordance with this decision.

Going concern

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

Netting/Offsetting

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

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

Statement of Compliance to The TFRS

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

Basis of consolidation

The consolidated financial statements include the accounts of the parent company, Fonet and its subsidiary on the basis set out in sections below. The financial statements of the companies included in the scope of consolidation have been prepared as of the date of the consolidated financial statements and have been prepared in accordance with TFRS applying uniform accounting policies and presentation.

As of 31 December 2019, the direct and indirect participation rates of the companies subject to consolidation are as follows.

				Effective Share in Capital Rate (%)	
Subsidiary	**Locations**	**Main Operations**	**Functional Currency**	**31 December 2019**	**31 December 2018**
Pidata Bilişim Teknolojileri A.Ş.	Türkiye/Ankara	Software	Turkish Lira	100,00%	100,00%

Subsidiaries are all entities over which the Group has power to govern the financial and operating policies so as to benefit from its activities. Subsidiaries in which the Group owns directly or indirectly more than 50% of the voting rights, or has power to govern the financial and operating policies under a statute or agreement are consolidated. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date of acquisition, being the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group. All significant intra-group transactions and balances between Bade Dokuma and its consolidated subsidiaries are eliminated.

Under the equity method, an investment in associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Non-controlling interests represent the portion of income statement and net assets not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

Available-for-sale investments, in which the Group has attributable interests below 20% or in which a significant influence is not exercised by the Group, that have quoted market prices in active markets and whose fair values can be reliably measured are carried at fair value

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

Even if non-controlling interests result in negative balance, total comprehensive income is transferred to the main shareholder shareholders and non-controlling interests.

The Group considers all relevant events and conditions in the assessment of whether the majority of votes in the relevant investment is sufficient to provide control power, including the following factors.

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

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

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

Elimination procedures in consolidation

Unrealized income and expenses arising from intra-group transactions, intra-group balances and intra-group transactions are mutually deleted during the preparation of consolidated financial statements.

The profits and losses resulting from the transactions between the subsidiary and the parent and the subsidiaries subject to consolidation and jointly controlled partnerships are netted off in proportion to the share of the parent.

Unrealized losses are deleted in the same way as unrealized gains unless there is evidence of impairment. Consolidated statement of financial position and consolidated comprehensive income statement regulation principles

Full Consolidation Method:

Paid-in capital and statement of financial position items of the Group and its subsidiaries were collected. In the collection process, the receivables and debts of the partnerships subject to consolidation method have been mutually reduced.

Paid-in capital of the consolidated statement of financial position is the paid-in capital of the Group; paid-in capital of subsidiaries is not included in the consolidated balance sheet.

From all equity group items including the paid / issued capital of the subsidiaries within the scope of consolidation, the amounts corresponding to the shares other than the parent and subsidiaries have been reduced and the consolidated financial following the equity account group of the status table, it is shown as the account group "Non-Controlling Shares".

Current and non-current assets purchased by partnerships subject to consolidation method as a result, adjustments are made to ensure that these assets are presented at the acquisition cost to the companies subject to consolidation method, and are included in the consolidated balance sheet at the amount prior to the sales transaction.

The comprehensive income statement items of the Group and its subsidiaries were collected separately, and the sales of goods and services made by the companies subject to consolidation were reduced from the total sales and the cost of the goods sold.

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

The profit arising from the purchase and sale of goods between these partnerships regarding the stocks of the companies subject to consolidation method has been added to the cost of the goods sold by deducting from the stocks in the consolidated financial statements, and the loss has been reduced from the cost of the goods sold.

Income and expense items arising from the transactions of partnerships subject to consolidation method are mutually offset against the related accounts.

The portion of the subsidiaries within the scope of consolidation that hits shares other than those subject to consolidation method from net profit or loss is shown as the "Non-Controlling Shares" account group after the net consolidated period profit.

In cases deemed necessary, adjustments have been made to make the financial statements of the subsidiaries in accordance with the accounting principles applied by other in-group companies.

New and Revised Standards and Comments

December 31, 2019 as of the date of preparation of financial statements for the end of the fiscal year taken as a basis accounting policies, applies to new and changed Turkey Accounting Standards as of January 1, 2019 ("TAS") / TFRS and TAS / TFRS review outside are consistent with those used in the previous year.

The new standards, amendments and interpretations which are effective as at January 1, 2019 are as follows:

TFRS 16 – Leases

In April 2018, POA has published a new standard, TFRS 16 'Leases'. The new standard brings most leases on-balance sheet for lessees under a single model, eliminating the distinction between operating and finance leases. Lessor accounting however remains largely unchanged and the distinction between operating and finance leases is retained. TFRS 16 supersedes TAS 17 'Leases' and related interpretations and is effective for periods beginning on or after January 1, 2019, with earlier adoptionpermitted.

Lessees have recognition exemptions to applying this standard in case of short-term leases (i.e., leases with a lease term of 12 months or less) and leases of 'low-value' assets (e.g., personal computers, office equipment, etc.). At the commencement date of a lease, a lessee measures the lease liability at the present value of the lease payments that are not paid at that date (i.e., the lease liability), at the same date recognises an asset representing the right to use the underlying asset (i.e., the right-of-useasset) and depreciates it during the lease term. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the lessee shall use the lessee's incremental borrowing rate. Lessees are required to recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset separately.

Lessees are required to remeasure the lease liability upon the occurrence of certain events (e.g. a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). Under these circumstances, the lessee recognises the amount of the revaluation of the lease liability as an adjustment to the right-of-use asset.

Transition to TFRS 16:

The Group adopted TFRS 16 using the modified retrospective approach and disclosed the impacts of the application of this standard in Note 2.3. The Group elected to use the exemptions applicable to the standard on lease contracts for which the lease terms ends within 12 months as of the date of initial application and lease contracts for which the underlying asset is of low value. The Group has leases of certain office equipment (i.e., photocopying machines) that are considered of low value.

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

Amendments to TAS 28 "Investments in Associates and Joint Ventures"

In December 2017, POA issued amendments to TAS 28 Investments in Associates and Joint Ventures. The amendments clarify that a company applies TFRS 9 Financial Instruments to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture.

TFRS 9 Financial Instruments excludes interests in associates and joint ventures accounted for in accordance with TAS 28 Investments in Associates and Joint Ventures. In this amendment, POA clarified that the exclusion in TFRS 9 applies only to interests a company accounts for using the equity method. A company applies TFRS 9 to other interests in associates and joint ventures, including long-term interests to which the equity method is not applied and that, in substance, form part of the net investment in those associates and joint ventures.

These amendments are applied for annual periods beginning on or after 1 January 2019.

These amendments did not have a significant impact on the financial position or performance of the Group.

TFRIC 23 Uncertainty over Income Tax Treatments

The interpretation clarifies how to apply the recognition and measurement requirements in "TAS 12 Income Taxes" when there is uncertainty over income tax treatments.
When there is uncertainty over income tax treatments, the interpretation addresses:
(a) whether an entity considers uncertain tax treatments separately;
(b) the assumptions an entity makes about the examination of tax treatments by taxation authorities;
(c) how an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and
(d) how an entity considers changes in facts and circumstances.

The interpretation is effective for annual reporting periods beginning on or after 1 January 2019.

The interpretation did not have a significant impact on the financial position or performance of the Group.

Improvements – 2015–2017 Cycle

In January 2019, POA issued Annual Improvements to TFRS Standards 2015–2017 Cycle, amending the following standards:

- TFRS 3 Business Combinations and TFRS 11 Joint Arrangements — The amendments to TFRS 3 clarify that when an
entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to TFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
- TAS 12 Income Taxes — The amendments clarify that all income tax consequences of dividends (i.e. distribution of profits) should be recognised in profit or loss, regardless of how the tax arises.
- TAS 23 Borrowing Costs — The amendments clarify that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally when calculating the capitalisation rate on general borrowings.

The amendments are effective from annual periods beginning on or after 1 January 2019.

These amendments did not have a significant impact on the financial position or performance of the Group.

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

Plan Amendment, Curtailment or Settlement" (Amendments to TAS 19)

In January 2019, the POA published Amendments to TAS 19 "Plan Amendment, Curtailment or Settlement" The amendmentsrequire entities to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after a plan amendment, curtailment or settlement occurs.

These amendments are applied for annual periods beginning on o11r after 1 January 2019.

The amendments did not have a significant impact on the financial position or performance of the Group.

Prepayment Features with Negative Compensation (Amendments to TFRS 9)

The POA issued minor amendments to TFRS 9 Financial Instruments to enable companies to measure some prepayable financial assets at amortised cost.

Applying TFRS 9, a company would measure a financial asset with so-called negative compensation at fair value through profit or loss. Applying the amendments, if a specific condition is met, entities will be able to measure at amortised cost some prepayable financial assets with so-called negative compensation.

These amendments are applied for annual periods beginning on or after 1 January 2019.

The amendments did not have a significant impact on the financial position or performance of the Group.

a) Standards issued but not yet effective and not early adopted as of 31 December 2019

Standards, interpretations and amendments to existing standards that are issued but not yet effective up to the date of issuance of the interim consolidated financial statements are as follows. The Group will make the necessary changes if not indicated otherwise, which will be affecting the consolidated financial statements and disclosures, when the new standards and interpretations become effective.

TFRS 10 and TAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments)

In December 2017, POA postponed the effective date of this amendment indefinitely pending the outcome of its research Project on the equity method of accounting. Early application of the amendments is still permitted.

The Group does not expect any significant impact on the financial position or performance of the Group.

TFRS 17 - The new Standard for insurance contracts

The PAO issued TFRS 17 in February 2019, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. TFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. TFRS 17 will become effective for annualreporting periods beginning on or after 1 January 2021; early application is permitted. The amendments will not have an impact onthe financial position or performance of the Group.

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

b) The new standards, amendments and interpretations that are issued by the International Accounting Standards Board (IASB) but not issued by Public Oversight Authority (POA) as of 31 December 2019

The following standards, interpretations and amendments to existing IFRS standards are issued by the IASB but not yet effective up to the date of issuance of the financial statements. However, these standards, interpretations and amendments to existing TFRS standards are not yet adapted/issued by the POA, thus they do not constitute part of TFRS. The Group will make the necessary changes to its consolidated financial statements after the new standards and interpretations are issued and become effective under TFRS.

Definition of a Business (Amendments to IFRS 3)

In May 2019, the PAO issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition.

The amendments:
- clarify the minimum requirements for a business;
- remove the assessment of whether market participants are capable of replacing any missing elements;
- add guidance to help entities assess whether an acquired process is substantive;
- narrow the definitions of a business and of outputs; and
- introduce an optional fair value concentration test.

The amendments to IFRS 3 are effective for annual reporting periods beginning on or after 1 January 2020 and apply prospectively. Earlier application is permitted.

Definition of Material (Amendments to IAS 1 and IAS 8)

In June 2019, the PAO issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the natüre or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020.

The amendments must be applied prospectively and earlier application is permitted.

Amendments to TFRS 9, TAS 39 and TFRS 7, Benchmark Interest Rate Reform

Valid for yearly reporting periods as of 1 January 2020, several facilitating applications are put into practice in four main subjects regarding "benchmark interest rate reform" in TFRS 9 and TAS 39. These practices which are related to hedge accounting, can be summarized as follows:
− Rule concerning the realization of the transaction having a high possibility
− Forward looking assessment
− Backward looking assessment
− Separately identifiable risk components
Exemptions that are put into practice regarding the changes in TFRS 9 and TAS 39, are meant to be explained in financial statements in accordance with TFRS 7.

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

Amendments to IAS-1 – Classification of Liabilities as Current or Non-Current

On 23 January 2020, IASB has made amendments with respect to "IAS-1 Presentation of the Financial Statements". The amendments are effective for annual reporting periods beginning on or after 1 January 2022, and provides an explanation on how the classification of current and non-current liabilities should be made. Changes are to be applied retrospectively by IAS 8 "Accounting Policies Changes in Accounting Estimates and Errors". Earlier application is permitted.

Effects of this change on the Group's financial situation and performance is being evaluated.

Changes in Accounting Policies

No any changes is made in the Foundadion accounting policies that affects the Foundadion's financial position, financial performance and cash flows to be presented preferable and confidential. It is not forseen that there will be a change in the Foundadion's accounting policies.

Changes and Errors in Accounting Policies and Estimates

The effect of a change in an accounting estimate is for only one period, in the current period when the change is made; if they are related to future periods, they are reflected in the financial statements both in the future and in the next period, to be taken into consideration in determining the net period profit or loss.

The correction amount of an error is considered retrospectively. An error is corrected by reorganizing comparative amounts for previous periods when it occurred or by reorganizing the accumulated profits account for that period when it occurs before the next reporting period.

If the re-adjustment of the information causes an excessive cost, the comparative information of the previous periods is not rearranged, accumulated profits calculation of the next period is re-adjustment under the cumulative effect of the error before the beginning of the said period.

1 January-31 December 2019 Based on TFRS 16 Leasing Transactions, accounting policies based on 31 December 2018 consolidated financial statements, except TFRS 16 Leasing Transactions, 31 December 2018

Accounting policy changes resulting from the first application of a new standard, if any, are applied retrospectively or prospectively, in accordance with the transitional provisions. Changes without any transitional provisions, optional changes in accounting policy or accounting errors detected are applied retrospectively and prior period financial statements are restated. If the changes in accounting estimates are for only one period, they are applied both in the current period when the change is made and both in the future when the change is made and forward.

The Group has applied accounting policy changes resulting from the new standard, amendments and interpretations effective as of January 1, 2019 and the first application of the "TFRS 16 Leases" standard, in accordance with the transitional provisions of the relevant standard. The accounting policy changes originating from the mentioned standards and the effects of the application of the related standards for the first time are as follows:

The Group has adopted TFRS 16 "Leases" as at 1 January 2019 for the first time, in line with the transition provisions of the standard.

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

Impacts of the first-time adoption of TFRS 16 on the consolidated financial statements of the Group are as below:

TFRS 16 Leases

The Group -as a lessee

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset. The Group assess whether:

a) The contract involved the use of an identified asset - this may be specified explicitly or implicitly.
b) The asset should be physically distinct or represent substantially all of the capacity of a physically distinct asset, If the supplier has a substantive substitution right, the asset is not identified.
c) The Group has the right to obtain substantially all of the economic benefits from the use of an asset throughout the period of use; and
d) The Group has the right to direct use of the asset, The Group concludes to have the right of use, when it is predetermined how and for what purpose the Group will use the asset. The Group has the right to direct use of asset if either:
   i. The Group has the right to operate (or to have the right to direct others to operate) the asset over its useful life and the lessor does not have the rights to change the terms to operate or;
   ii. The Group designed the asset (or the specific features) in a way that predetermines how and for what purpose it is used

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

Right of use asset

The right of use asset is initially recognized at cost comprising of:
a) Amount of the initial measurement of the lease liability;
b) Any lease payments made at or before the commencement date, less any lease incentives received;
c) Any initial direct costs incurred by the Group; and
d) An estimate of costs to be incurred by the lessee for restoring the underlying asset to the condition required by the terms and conditions of the lease (unless those costs are incurred to produce inventories).

The Group re-measure the right of use asset:

a) After netting-off depreciation and reducing impairment losses from right of use asset.
b) Adjusted for certain re-measurements of the lease liability recognized at the present value.

The Group applies TASI6 "Property, Plant and Equipment" to amortize the right of use asset and to asses for any impairment.

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

Lease Liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date. Lease liabilities are discounted to present value by using the interest rate implicit in the lease if readily determined or with the Group's incremental borrowing rate.
Lease payments included in the measurement of the lease liability comprise the following:

a) Fixed payments, including in-substance fixed payments;
b) Variable lease payments that depend on an index or a rate, initially measured using the index or rate as the commencement date.
c) The exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewable period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain to terminate early.

After initial recognition, the lease liability is measured:

a) Increasing the carrying amount to reflect interest on lease liability,
b) Reducing the carrying amount to reflect the lease payments made and
c) Remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Extension and termination options

In determining the lease liability, the Group considers the extension and termination options. The majority of extension and termination options held are exercisable both by the group and by the respective lessor. Extension options are included in the lease tenn if the lease is reasonably certain to be extended. The group remeasures the lease tenn, if a significant event or a significant change in circumstances occurs which affects the initial assessment.

Exemptions and simplifications

Short-term lease payments and payments for leases of low-value assets like IT equipments (mainly printers, laptops and mobile phones etc,) are not included in the measurement of the lease liabilities in the scope of TFRS 16. Lease payments of these contracts are continued to be recognised in profit or loss in the related period.

The Group applied a single discount rate to a portfolio of leases which have similar characteristics (asset classes which have similar remaining rent periods in a similar economic environment).

The Group — as a lessor

The Group's activities as a lessor are not material.

First time adoption of TFRS 16 Leases

The Group has applied TFRS 16 "Leases", which replaces TAS 17, for the effective period beginning on 1 January 2019. The cumulative impact of applying TFRS 16 is accounted in the condensed interim consolidated financial statements retrospectively ("cumulative impact approach") at the start of the current accounting period. The simplified transition approach of the related standard does not require a restatement in the comparative periods or in the retained earnings.

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

With the transition to TFRS 16 "Leases", a "lease liability" is recognized in the condensed interim consolidated financial statements for the lease contracts which were previously measured under TAS 17 as operational leases. At transition, lease liabilities are measured at the net present value of the remaining lease payments, discounted at the Group's incremental borrowing rate on the effective transition date. The Group measured right-of-use assets at an amount equal to the lease liability (adjusted by the amount of any prepaid or accrued lease payments) under TFRS 16 simplified transition approach.

Summary of Significant Accounting Policies

Accounting policies within TFRS; are specific principles, principles, traditions, rules and practices used by enterprises in the preparation and presentation of financial statements.

Revenue Recording

The Group transfers a committed good or service to its customer and records the revenue in its financial statements as it fulfills or obtains its performance obligation. When an asset is in control (or as it passes) to the customer, the asset is transferred.

The company records revenue in its financial statements in accordance with the following basic principles:

a. Determination of contracts with customers,
b. Determination of performance obligations in the contract,
c. Determination of the transaction price in the contract,
d. Dividing the transaction price into performance obligations in the contract,
e. Accounting of revenue when each performance obligation is fulfilled)

The Group accounts for a contract with its customer as revenue if all of the following conditions are met:

a. The parties to the contract have approved the contract (in writing, verbally or in accordance with other commercial practices) and undertake to perform their own actions,
b. The company can define the rights related to the goods or services to be transferred by each party,)
c. The company can define payment terms for the goods or services to be transferred,
d. The contract is inherently commercial in nature
e. It is probable that the Group will collect a price for goods or services to be transferred to the customer. When evaluating whether a price is likely to be collected, the entity takes into account only the customer's ability to pay this amount on due date and the intention to do so.)

Revenue from product sales

The Group receives revenue by selling the software programs it produces. Revenue is recorded when products are handed over to the customer

The Group revenue mainly consists of the sales revenue of the software product specified in the first footnote and the modules that are part of this product.

When another party is involved in providing the goods or services to the customer, the Group determines the quality of its commitment as a performance obligation to provide the specified goods or services in person (principal) or to mediate those goods or services provided by the other party (proxy). It is noble if the company checks the specified goods or services before transferring those goods or services to the customer. In that case, when it fulfills (or brings) its obligation to perform, it records the revenue in the financial statements as much as the gross amount of the price it expects to deserve in return for the assigned goods or services. If the Group acts as an intermediary in the provision of goods or services whose performance obligation is determined by another party, it is a proxy and does not reflect the revenue in the financial statements for the performance obligation in question.

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

If the company is entitled to collect a price directly corresponding to the value of its completed performance from its customers (in the delivery of the products), the company records the revenue in the financial statements as much as it has the right to invoice. The Group does not make any adjustments at the beginning of the contract, since the period between the transfer date of the goods and services promised to the customer and the date when the customer pays the price of this goods or service will be one year or less, there will be no impact on the promised financing component.

The Group does not have contract assets arising from its contracts with its customers and contract costs to be capitalized regarding the said contracts.

Financial Assets

Financial assets other than those that are classified as financial assets whose fair value difference is reflected in profit or loss and recorded at fair value are accounted for their total market value and the total amount of expenses directly attributable to the purchase transaction. As a result of the purchase or sale of financial assets, which are bound to a contract that has the condition of delivery of the investment instruments in accordance with the period determined by the relevant market, the relevant assets are recorded or removed from the records at the transaction date.

Financial assets are classified as "financial assets whose fair value difference is reflected in profit or loss", "investments held to maturity", "financial assets available for sale" and "loans and receivables". The classification is determined during the first registration, depending on the purpose and characteristics of the financial asset. The Group does not have "financial assets with fair value difference reflected in profit or loss" and "investments to be held until maturity".

Effective interest method

Effective interest method is the method of evaluating the financial asset with the amortized cost and distributing the related interest income to the related period. Effective interest rate; It is the rate that reduces the estimated cash total to be collected during the expected life of the financial instrument or, if appropriate, during a shorter period of time, to the net present value of the financial asset. Income related to financial assets classified with the exception of financial assets whose fair value difference is reflected to profit or loss is calculated by using effective interest method.

Financial assets available for sale

Quoted equity instruments and some debt securities are listed as available-for-sale financial assets and are shown at fair value. The Group has equity instruments that are not traded in an active market and are not quoted on the stock market, but are classified as available-for-sale financial assets, and are shown at cost because their fair values cannot be measured reliably. Except for the depreciation recorded in the income statement, interest rate and monetary assets, exchange rate difference profit / loss calculated using the effective interest method, gains and losses arising from changes in fair value are recognized in other comprehensive income and financial assets are accumulated in the value increase fund.

In the event of an investment disposal or impairment, the total profit / loss accumulated in the financial assets appreciation fund is classified in the income statement.

Dividends related to equity instruments ready for sale are recognized in the income statement, when the Group has the right to receive dividends. The Group does not have any financial assets investment ready for sale.

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

Loans and receivables

Commercial and other receivables and loans with fixed and determinable payments that are not traded in the market are classified in this category. Loans and receivables are shown by deducting the impairment from their discounted cost by using the effective interest method.

Impairment of financial assets

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

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

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

The increase in the fair value of equity instruments available for sale after the impairment is directly accounted in equity.

Cash And Cash Equivalents

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

Financial Liabilities

Financial liabilities are recorded with their values after the transaction expenses are deducted from the financial debt amount received on the date of receipt. Financial liabilities are followed in the financial statements with their discounted values calculated with effective interest rate on the following dates. The difference between the amount of the financial debt received (excluding transaction expenses) and the repayment value is recognized on the accrual basis during the financial debt period in the statement of profit or loss. Financial debts are classified as short term liabilities if the company does not have unconditional right such as postponing the liability for 12 months from the balance sheet date.

Trade Paybles

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

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

Recording and extraction of financial assets and liabilities

All financial asset purchases and sales are reflected in the records on the transaction date, that is, on the date when the Group commits to buy or sell the asset. Aforementioned purchases and sales are trades that require the delivery of the financial asset within the timeframe determined by the general practices and regulations that occur in the market.

A financial asset (or part of a financial asset or group of similar financial assets);

- period regarding the right to obtain cash flow from the asset has expired;)
- Although the Group has the right to obtain cash flow from the asset, in the event that it has an obligation to pay the whole party without spending too much time under an agreement that has to be transferred directly to third parties;
- If the Group has transferred its right to obtain cash flows from the financial asset and (a) all risks or rewards related to the asset have been transferred or (b) all rights or rewards have not been transferred, they are removed from the records. In the event that the Group delegates its right to obtain cash flow from the asset, however, if all risks or interests are not transferred or transferring control over the asset, the asset is carried in the financial statements depending on the Group 's ongoing relationship with the asset. Financial liabilities are removed from the records in case the debts arising from these liabilities are eliminated, canceled and expired.

Inventories

It is the item that shows assets that are held to be sold for sale in the normal course of business, that are produced to be sold or that are found in the form of items and materials to be used in the production process or service delivery. Order advances given are classified as other current assets until the relevant stock is recognized.

Inventories are valued at the lower of cost or net realizable value. Costs comprise purchase cost and, where applicable and those overheads that have been incurred in bringing the inventories to their present location and condition.

Net realizable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. Financing costs incurred for inventories purchased on deferred settlement terms are excluded from the cost of inventories. Cost is calculated by the weighted average method. The acquisition cost of each item of inventory is discounted to net realizable value. This discount is made by impairment provision of the inventory.

Investment Porperty

Investment properties are properties that are held for the purpose of earning rental and / or appreciation gains, and are first measured by their cost values and the transaction costs involved.

The Group has no investment propertied as of balance sheets date.

Tangible Assets

Tangible assets are revealed the amount after deducting accumulated depreciation and accumulated impairment. Assets for hire or administration purpose assets or assets which are in construction phase are revealed the amount which is deducted by the possible impairment cost. Legal fees are included to the costs. When there is time needed for the assets to be used or sale, borrowing costs related to asset are capitalized according to the related accounting policies of the Group. These type of assets are subjected to depreciation, like depreciation method used for other fixed assets, when they are ready to use.

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

Except land and continunuing investments, tangible assets' cost or amounts are depreciated by linear depreciation method according to their expected useful life. Expected useful life, remainder value and depreciation method, is revised in order to determine the possible effects of change every year and capitalized.

Comprised revenues or losses from sale of tangible assets or getting it out from service, is determined as the difference of sales revenue and assets' book value and included in the income statement.

The Group follows its vehicle at revaluation value model. After recognition as an asset, an item of property, plant and equipment whose fair value can be measured reliably shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. If an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs shall be revalued.

If an asset's carrying amount is increased as a result of a revaluation, the increase shall be recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus.

Tangible Fixed Assets	Useful Life (year) **31 December 2019**	Useful Life (year) **31 December 2018**
Buildings	50	50
Vehicles	5	5
Machinery and equipment	5	5
Furniture and fittings	3-15	3-15
Leasehold improvements	5-10	5-10

Property, plant and equipment are reviewed for impairment losses. An impairment loss is recognized for the amount by which thecarrying amount of the asset exceeds its recoverable amount, which is the higher of the asset net selling price or value in use.The recoverable amount of the property, plant and equipment is the higher of future net cash flows from the utilization of this property, plant and equipment or fair value less cost to sell.

Costs of property plant and equipment are included in the asset's carrying amount or recognized as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statements of income during the financial period in which they were incurred. Gain or losses on disposal of property, plant and equipment are included in the "Income/Expense from Investing Activities" and are determined as the difference between the carrying value and amounts received.

The gain on revaluation on tangible assets presented in the equity is transferred directly to the retained earnings when the asset is retired from use or disposed of or fully depreciated.

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

Intangible Fixed Assets

Intangible Fixed Assets	Useful Life (year) 31 December 2019	Useful Life (year) 31 December 2018
Rights	10-15	10-15
Devolopment costs	12	12
New HBYS working in Java based cloud	15	15
Web portals	5	5
Other intangible fixed assets	3-10	3-10

Intangible Assets

Intangible assets are stated by deducting the accumulated fall in value and depreciation shares from the acquisition costs. Intangible assets are subjected to depreciation on the basis of the useful life principle by means of linear depreciation. Expected useful life and depreciation method, is revised in order to determine the possible effects of change for the future every year.

Research and development costs

Research is defined as the original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding. The expenditure on research is recognized as an expense when it is incurred.
Development is defined as the application of research findings or other knowledge to a plan or design for the production of new or substantially improved materials, devices, products, processes, systems or services before the start of commercial production or use and an intangible asset arising from development is recognized when the following are demonstrated by the Group:

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

Development costs comprise salaries, wages and related costs of the staff working directly in development activities and other directly attributable costs. The government grants related development costs are deducted from the carrying value of associated development costs.

Impairment of Assets

Impairment test is applied when it is not possible to recover assets' book value which is subject to depreciation. Provision of impairment is entered when asset's book value is higher than its recoverable value. Recoverable amount, after deducting sales costs, is fair value or value in use whichever is higher. In order to evaluate impairment, assets are grouped into lowest level of separate definable cash flows (cash generating units). Except goodwill, nonfinancial assets which are subject to impairment are revised in every reporting periods in case when there is a possibility of cancellation of impairment.

Borrowing Costs and Funds

As far as qualifying assets requiring a considerable amount of time to be ready for use and sale are concerned, borrowing costs directly associated with the purchase, production or generation of the said assets could be included in the cost until the qualifying asset is ready for use or sale. All other borrowing costs could be entered into related period's income statement.

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

Borrowings are recognized initially at the proceeds received, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost using the effective yield method; any difference between proceeds, net of transaction costs, and the redemption value is recognized in the income statement over the period of the borrowi ngs. Borrowing costs are charged to the income statement when they are incurred. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Effects of Change in Rates

Foreign currency (currencies other than TRY) transactions are entered in the accounts by taking the rates on the date of transactions during the preparation of company's financial statements. Foreign currency monetary assets and liabilities are exchanged into Turkish Lira by taking the valid rates on the balance sheet date. Foreign currency monitored nonmonetary items are exchanged into Turkish Lira with the rates when their fair value is set. Nonmonetary items which are measured by historical cost are not subject to be exchanged again. Foreign currency gain/loss is entered in the profit/loss accounts when they are realized.

Earnings Per Share

Earnings per share on the income statement are determined by dividing net profit into average shares on market throughout the year.

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

Events Subsequent To The Balance Sheet Date

Subsequent events cover any events which arise between the reporting date and the balance sheet date, even occurred after any declaration of the profit for the period or specific financial information publicly disclosed. The Group adjusts its financial statements if such subsequent events arise which require to adjust financial statements.

Provisions, Contingent Assets and Contingent Liabilities

Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. No provision is recognized for operating losses expected in later periods

Contingent Assets and Liabilities

Possible assets or obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group are not included in the financial statements and are disclosed as contingent assets or liabilities.

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

Related Parties

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

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

- has control or joint control over the reporting entity;
- has significant influence over the reporting entity; or
- is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.
- The entity and the reporting entity are members of the same group
- One entity is an associate or joint venture of the other entity
- Both entities are joint ventures of the same third party
- One entity is a joint venture of a third entity and the other entity is an associate of the third entity
- The entity is controlled or jointly controlled by a person identified in (a).
- A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity

Taxation

The tax expense for the year comprises current and deferred tax. Tax is recognized in the income statement, except to the extent that it relates to items recognized directly in equity. In such case, the tax is also recognized in shareholders' equity.

Deferred tax assets and liabilities are determined through temporary differences of legal tax base and assets and liabilities shown on financial statements by considering legal tax rates of balance sheet method. Deferred tax liability is calculated for all taxable temporary differences, reducible temporary differences of deferred tax assets is calculated possibly benefiting the differences as a condition in the future. Such assets and liabilities can not be entered in the accounts if temporary difference of related transactions which do not effect trade or financial profit/loss, goodwill or other asset and liabilities are entered in the accounts first time (except business combinations).

Deferred tax liability, except when company is able to control removal of temporary differences and low posibility of removal of temporary differences in the near future, all taxable temporary differences are calculated. These deferred tax assets which take root from taxable temporary differences related to investment and shares, are calculated in the near future in the condition of make enough taxable profit, high probability of benefiting from such differences, and possibility of removal of these differences in the future.

Deferred tax asset's value is revised in every balance sheet date. Deferred tax asset's recorded value is reduced to a rate when it is not possible to get financial profit of a part or full benefit.
Deferred tax assets and liabilities, in the period of assets or liabilities realized, are calculated over expected to be valid legal tax rate or mostly legal tax rates (tax adjustments) as of balance sheet date.

During calculation of deferred tax assets and liabilities, as of balance sheet date tax results of assets book value to recover or methods to meet its liabilities are taken into account.

Employee Benefits and Retirement Benefits

Under the Turkish Labor 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 who retires after completing 25 years of service (20 years for women) and reaches the retirement age (58 for women and 60 for men).

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

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

Reporting of cash flows

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

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

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

Capital and Dividends

The ordinary shares are classified as equity. The dividends paid to ordinary shares deducted from accumulated profits during the period they are declared.

Dividends

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

Significant Accounting Valuation, Estimates and Assumptions

Assumptions have been regularly reviewed and required adjustments have been made. The updates to the accounting estimates are recorded in the period in which the update is made and in the subsequent periods affected by these updates. The updates to accounting estimates are recorded in the period in which the update is made and affected in the subsequent periods by these updates.

Evaluation of Significant Accounting Estimates and Assumptions

The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities and the reported amounts of income and expense items in the fiscal period. Although these estimates and assumption are based on the management of Group's best knowledge of the exiting events and transactions, actual results may differ from those estimates. Assumptions have been regularly reviewed and required adjustments have been made.

Note 8 – Trade receivables and payables
Note 12 – Fixed asssets
Note 13 – Intangible fixed assets
Note 17 – Provisions, Contingent Assets And Contingent Liabilities
Note 18 – Employee benefit obligations
Note 28 – Income Tax

3. BUSINESS COMBINATION

There is none (31 December 2018: None).

4. SEGMENTAL REPORTING

There is none (31 December 2018: None).

5. CASH AND CASH EQUIVALENTS

	31 December 2019	31 December 2018
Cash	3.147	431
Banks		
Time Deposit	2.159.673	299.876
Demand Deposit	765.079	5.794.739
Total	**2.927.899**	**6.095.046**

The Group's time deposits are approximately 2 to 32 days in maturity, the currency of time deposits are Turkish Lira.

6. FINANCIAL ASSETS

There is none (31 December 2018: None).

7. FINANCIAL LIABILITIES

Short term financial liabilities

	31 December 2019	31 December 2018
Bank borrowings	792.414	254.899
Short term liabilities of long term liabilities	65.418	1.476.120
Liabilities arising from renting	395.179	-
Other financial liabilities	212.168	130.097
Total	**1.465.179**	**1.861.116**

Long term financial liabilities

	31 December 2019	31 December 2018
Bank borrowings	-	46.858
Liabilities arising from renting	1.020.879	-
Total	**1.020.879**	**46.858**

The redemption schedule of bank borrowings are as follows:

	31 December 2019	31 December 2018
0-3 mont	1.059.492	819.920
3-12 month	10.508	1.041.196
1-5 year	-	46.858
More than 5 year	-	-
Total	**1.070.000**	**1.907.974**

The details of the TRIs, which are given in return for the loans, are given in footnote 17. All of the loans are in Turkish Lira.

7. FINANCIAL LIABILITIES

The redemption schedule of liabilities arising from renting are as follows:

	31 December 2019	31 December 2018
0-3 mont	98.795	-
3-12 month	296.384	-
1-5 year	1.020.879	-
More than 5 year	-	-
Total	**1.416.058**	**-**

8. TRADE RECEIVABLES AND TRADE PAYABLES

Short- Term Trade Receivables

	31 December 2019	31 December 2018
Trade receivables	8.336.459	9.257.178
Notes receivables	-	-
Deferred financing incomes (-)	(115.060)	(318.477)
Provision for trade receivables (-)	(571.229)	(440.334)
Total	**7.650.170**	**8.498.367**

Movements of the provision for doubtful receivables are as follows:

	31 December 2019	31 December 2018
Beginning of the period	440.334	147.248
Increases during the period	307.169	362.048
Less; collections (-)	(176.274)	(68.962)
Less; deducted from legal records	-	-
End of the period	**571.229**	**440.334**

Long-Term Trade Receivables

There is none (31 December 2018: None).

Short Term Liabilies

	31 December 2019	31 December 2018
Trade payables	186.599	1.995.995
Notes payables	1.198.746	134.500
Deferred financing incomes (-)	(16.909)	(98.918)
Total	**1.368.436**	**2.031.577**

Long Term Liabilies

There is none (31 December 2018: None).

9. OTHER RECEIVABLES AND PAYABLES

Other Short- Term Receivables

	31 December 2019	31 December 2018
Deposits and guarantees given	200.321	149.362
Due from personnel	13.500	17.600
Other sundry receivables	-	-
Total	**213.821**	**166.962**

Other Long- Term Receivables

	31 December 2019	31 December 2018
Deposits and guarantees given	39.380	39.380
Total	**39.380**	**39.380**

Other Short- Term Liabilities

	31 December 2019	31 December 2018
Taxes and funds payables	646.673	815.021
Other sundy payables	4.668	1.276
Total	**651.341**	**816.297**

Other Long- Term Liabilities

	31 December 2019	31 December 2018
Other sundy payables	-	-
Total	**-**	**-**

10. INVENTORIES

	31 December 2019	31 December 2018
Merchandises	522.616	687.865
Total	**522.616**	**687.865**

Trade goods consist of the hardware and software inventories for various projects the Group has acquired.

11. PREPAID EXPENSES and DEFERRED INCOMES

Short-Term Prepaid Expenses

	31 December 2019	31 December 2018
Prepaid expenses (*)	582.708	111.711
Advances given	9.796	126
Advances given for business purposes	48.016	51.137
Total	**640.520**	**162.974**

Long-Term Prepaid Expenses

	31 December 2019	31 December 2018
Prepaid expenses (*)	773.211	-
Total	**773.211**	**-**

(*) The expenses for the coming months and years include the software licenses obtained in accordance with the contracts made within the scope of the tenders in which the Group has participated, and are closed by monthly invoicing to the customers during the tender period.

11. PREPAID EXPENSES and DEFERRED INCOMES

Short-Term Deferred Incomes

	31 December 2019	31 December 2018
Order advances received	-	137.241
Deferred incomes (*)	2.263.889	7.833.333
Other	27.916	22.512
Total	**2.291.805**	**7.993.086**

Long-Term Deferred Incomes

	31 December 2019	31 December 2018
Deferred incomes (*)	-	2.263.889
Total	**-**	**2.263.889**

(*) Deferred revenues are the parts of the period of the contract prices, of which the invoice has been collected but not yet completed.

12.TANGIBLE FIXED ASSETS

Tangible fixed assets	31.12.2018 Balance	Additions	Disposal	31.12.2019 Balance
Property, plant and equipment	1.500.000	-	-	1.500.000
Machinery and equipment	216.915	-	(216.915)	-
Vehicles	1.166.428	556.148	-	1.722.576
Furniture and fittings	2.936.223	536.112	-	3.472.335
Leasehold improvements	1.270.878	18.907	(323.253)	966.532
Total	**7.090.444**	**1.111.167**	**(540.168)**	**7.661.443**
Accumulated depreciation				
Property, plant and equipment	(240.000)	(30.000)	-	(270.000)
Machinery and equipment	(216.915)	-	216.915	-
Vehicles	(223.322)	(312.016)	-	(535.338)
Furniture and fittings	(1.266.227)	(501.945)	-	(1.768.172)
Leasehold improvements	(492.651)	(192.426)	323.253	(361.824)
Total	**(2.439.115)**	**(1.036.387)**	**540.168**	**(2.935.334)**
Tangible fixed assets, net	**4.651.329**			**4.726.109**

12. TANGIBLE FIXED ASSETS (cont'd)

Tangible fixed assets	31.12.2017 Balance	Consolidated subsidiary effect	Additions	Disposal	31.12.2018 Balance
Property, plant and equipment	1.500.000	-	-	-	1.500.000
Machinery and equipment	216.915	-	-	-	216.915
Vehicles	475.441	-	690.987	-	1.166.428
Furniture and fittings	2.572.616	16.764	346.843	-	2.936.223
Leasehold improvements	323.254	84.377	863.247	-	1.270.878
Total	**5.088.226**	**101.141**	**1.901.077**	**-**	**7.090.444**
Accumulated depreciation					
Property, plant and equipment	(210.000)	-	(30.000)	-	(240.000)
Machinery and equipment	(216.915)	-	-	-	(216.915)
Vehicles	(103.617)	-	(119.705)	-	(223.322)
Furniture and fittings	(867.454)	(1.282)	(397.491)	-	(1.266.227)
Leasehold improvements	(323.141)	(4.304)	(165.206)	-	(492.651)
Total	**(1.721.127)**	**(5.586)**	**(712.402)**	**-**	**(2.439.115)**
Tangible fixed assets, net	**3.367.099**				**4.651.329**

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

	Net Book Value	
Fixed assets	**31 December 2019**	**31 December 2018**
Property, plant and equipment	1.230.000	1.260.000
Machinery and equipment	-	-
Vehicles	1.187.238	943.106
Furniture and fittings	1.704.163	1.669.996
Leasehold improvements	604.708	778.227
Total	**4.726.109**	**4.651.329**

As of 31 December 2019 total insurance covarage on property, plant and equipment amounts to 800.000 TL.

The machinery and equipment have been amortizated as of balance sheet dates.

13.INTANGIBLE FIXED ASSETS

Intangible Fixed Assets	01.01.2018 Balance	Additions	Disposal	31.12.2018 Balance	Additions	Disposal	31.12.2019 Balance
Rights	6.451.694	-	-	6.451.694	11.053	-	6.462.747
Development costs ".net based HBYS"	4.588.814	-	-	4.588.814	-	-	4.588.814
Development costs "New HBYS working on cloud system based on JAVA"	31.279.087	17.479.646	-	48.758.733	13.726.455	-	62.485.188
Other intangible assets	2.359.050	-	-	2.359.050	-	(2.359.050)	-
Total	**44.678.645**	**17.479.646**	**-**	**62.158.291**	**13.737.508**	**(2.359.050)**	**73.536.749**
Accured Depreciation							
Rights	(4.435.430)	(268.823)	-	(4.704.253)	(271.657)	-	(4.975.910)
Development costs ".net tabanlı HBYS"	(2.365.734)	(382.401)	-	(2.748.135)	(382.401)	-	(3.130.536)
Development costs "New HBYS working on cloud system based on JAVA"	(499.410)	(2.638.678)	-	(3.138.088)	(3.712.326)	-	(6.850.414)
Other intangible assets	(2.359.050)	-	-	(2.359.050)	-	2.359.050	-
Total	**(9.659.624)**	**(3.289.902)**	**-**	**(12.949.526)**	**(4.366.384)**	**2.359.050**	**(14.956.860)**
Intangible Fixed Assets, net	**35.019.021**			**49.208.765**			**58.579.889**

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

Intangible fixed assets	Net Book Value 31 December 2019	31 December 2018
Rights	1.486.837	1.747.441
Development costs ".net based HBYS"	1.458.278	1.840.679
Development costs "New HBYS working on cloud system based on JAVA"	55.634.774	45.620.645
Other intangible assets	-	-
Total	**58.579.889**	**49.208.765**

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

The capitalization amounts during the period are as follows:

	01.01.-31.12.2019	01.01.-31.12.2018
Personnel costs (the personnels work on software development, project implementation and system support departments)	13.161.455	8.960.647
Outsourced costs	565.000	8.518.999
Total	**13.726.455**	**17.479.646**

(*) Development costs "based .net" are belong to previous years' cost that The Group finalized its development activities since 2013.

All other intangible assets (web portals) have been amortized as of balance sheet date.

14. RIGHT OF USE ASSETS

	01.01.2019 Balance	Additions	Disposal	31.12.2019 Balance
Buildings	-	1.554.251	-	1.554.251
Buildings depreciations	-	(138.193)	-	(138.193)
Net book value		**1.416.058**		**1.416.058**

Group **in the case of tenant**

The Group has 2 lease agreement that is subject to operating leases. The details of the mentioned lease agreements are as follows. The term of the contract is five years.

Leased Location	Contract Start Date	Contract Date of Completion	Monthly Rent Amount	Yearly Rent Amount
The Paragon Business Center Flat:1	15.08.2017	15.08.2022	34.531	414.372
The Paragon Business Center Flat:8	15.07.2018	15.07.2023	14.000	168.000

15. GOVERNMENT GRANTS

There are investment incentive certificates to which the Group has been entitled by the official authorities in connection with certain capital expenditures. The grants obtained by the Company in nature are as follows:

a) Incentives under the jurisdiction of the research and development law (100% corporate tax exemption, Social Security Institution incentives, etc.),

b) Taxes and funds exemptions for R&D centres which are regulated under research and development law.

c) Cash refund from Tübitak - Teydeb for research and development expenses,

In accordance with the article; ''Within the scope of the temporary second article of the Law No. 4691 on Technology Development Zones, amended by the 8th article of the Corporate Tax General Communiqué No 6, the earnings obtained by the management companies within this law and the income and corporate taxpayers operating in the region are exempt from income and corporate tax until 31 December 2023, exclusively from the software and R&D activities in this region. " the Group's revenues to be obtained as a result of research and development activities are within the scope of exemption from corporate tax.

16. PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Other Short-Term Provisions

	31 December 2019	31 December 2018
Provisions for law suits	584.145	549.765
Total	**584.145**	**549.765**

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

	Number	Amount
Ongoing lawsuits on behalf of the Group	6	126.546
Ongoing execution proceedings	7	249.897
Ongoing lawsuits against the Group	59	1.009.772
Ongoing enforcement proceedings	3	51.508

16. PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES (cont'd)

The Group management has made provision in the financial statements, the amount of 584.145 TL (Prior period: 549.765 TL) for the ongoing lawsuits.

Other LongTerm Provisions

There is none (31 December 2018: None).

Contingent Assets

There is none (31 December 2018: None).

Contingent Liabilities

	31 December 2019	31 December 2018
Guarantees given	16.157.166	9.421.329
Mortgages given	-	-
Total	**16.157.166**	**9.421.329**

Colleterals, pledges and mortgages (CPM's) given by the Company are as follows;

	31 December 2019	31 December 2018
A. CPM's given on behalf of own corporate entities	16.157.166	9.421.329
B. CPM's given on behalf of fully consolidated subsidiaries	-	-
C. CPM's given for continuation of its economic activities on behalf of third parties.	-	-
D. Total amount of other CPM's	-	-
i) Total amount of CPM's given on behalf of the parent company	-	-
ii) Total amount of CPM's given to on behalf of other Group Companies which are not in scope of B and C	-	-
iii) Total amount of CPM's given on behalf of third parties which are not in scope of C	-	-
Total	**16.157.166**	**9.421.329**

17.EMPLOYEE BENEFIT OBLIGATIONS

Employee Benefit Obligations

	31 December 2019	31 December 2018
Payables due to personnel	1.686.115	1.362.243
Social security withholdings payables	785.486	621.710
Total	**2.471.601**	**1.983.953**

Provision for employee termination benefits

	31 December 2019	31 December 2018
Provisions for unused vacations	299.181	350.469
Total	**299.181**	**350.469**

Movements in the provisions for unused vacations are as follows:

	31 December 2019	31 December 2018
As at 1 January	350.469	125.672
Reversal	(350.469)	(125.672)
Additions	299.181	350.469
End of the period	**299.181**	**350.469**

17. EMPLOYEE BENEFIT OBLIGATIONS (cont'd)

Retirement Pay Provisions

	31 December 2019	31 December 2018
Provision for employee termination benefits	902.491	675.428
Total	**902.491**	**675.428**

Retirement Pay Provisions

Under the Labour Law, the Group is required to pay termination benefits to each employee who has completed one year of service and whose employment is terminated without due cause, is called up for military service, dies or who retires after completing 25 years of service (20 years for women) and achieves the retirement age. Severence payment provision is calculated as 30 days gross salary for each service year.

The provision has been calculated by estimating the present value of the future probable obligation of the Group arising from the retirement of the employees.

Retirement pay liability is not subject to any kind of funding legally. Provision for retirement pay liability is calculated by estimating the present value of probable liability amount arising due to retirement of employees. TAS 19 ("Employee Benefits") stipulates the development of Group'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:

	31 December 2019	31 December 2018
Net discount rate (%)	% 2,81	% 2,01

	31 December 2019	31 December 2018
Beginning of the period	675.428	558.242
Increases during the period	56.004	46.593
Intrerest expense	25.500	13.587
Actuarial profit /(loss)	430.117	227.788
Payments during the year	(284.558)	(170.782)
End od the period	**902.491**	**675.428**

The principal assumption is that maximum liability of employee termination benefit for each year of service will increase in line with inflation. Thus, the discount rate applied represents the expected real rate after adjusting for the anticipated effects of future inflation. As the maximum liability is revised semi-annually, the maximum amount of TL 6.017,60 which has been taken into consideration in calculating the reserve for employment termination benefit of the Group.

Amount of payable consist of one month's salary limitied to a maximum of full 6.379,86 TL as of 31 December 2019 (31 December 2018: 5.434,42 TL).

18. OTHER ASSETS AND LIABILITIES

Other current assets

	31 December 2019	31 December 2018
VAT carried forward	25.756	17.464
Total	**25.756**	**17.464**

Other non-current assets

There is none (31 December 2018: None).

Other short-term liabilities

	31 December 2019	31 December 2018
Other	-	97.103
Total	**-**	**97.103**

Other long-term liabilities

There is none (31 December 2018: None).

19. EQUITY

The Shaheholders structure of The Company is as follow:

	31 December 2019		31 December 2018	
Shareholders	**Share Amount**	**Rate %**	**Share Amount**	**Rate %**
Abdülkerim GAZEN	23.333.333	58,33%	10.500.000	58,33%
Publicly traded	16.666.667	41,67%	7.500.000	41,67%
Total paid capital	**40.000.000**	**100,00%**	**18.000.000**	**100,00%**

The Company's issued capital consists of 40.000.000 shares, all with a par value of 1 Turkish Liras each as at 31 December 2019 (31 December 2018: 18.000.000 shares).

Share Premium

	31 December 2019	31 December 2018
Share premium (*)	-	11.496.200
Total	**-**	**11.496.200**

(*) In the current period, the Group has added all share premium to the capital.

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

	31 December 2019	31 December 2018
Actuarial gain/loss	(783.508)	(448.017)
Toplam	**(783.508)**	**(448.017)**

Movements of the actuarial gain /(loss) are as follows:

	31 December 2019	31 December 2018
Beginning of the period	(448.017)	(403.769)
Increases during the period	(335.491)	(44.248)
End of the period	**(783.508)**	**(448.017)**

Other comprehensive Income/Loss to be reclassified to Profit or Loss

There is none (31 December 2018: None)

19. EQUITY (cont'd)

Restricted Reserves Allocated From Profits

	31 December 2019	31 December 2018
Legal reserves	1.749.772	818.198
Total	**1.749.772**	**818.198**

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

	31 December 2019	31 December 2018
Beginning of the period	10.494.235	6.624.152
Previous year profits / (loss)	12.236.429	4.097.425
Transfer to the capital	(10.503.800)	-
Transfer to the legal reserves	(931.574)	(227.342)
Dividinds	-	-
Previous year profits / (loss)	**11.295.290**	**10.494.235**

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

The Group does not have any extraordinary reserves classified in accumulated profits (31 December 2018: None).

Dividend distribution

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

Listed companies in BIST are subject to dividend regulations of CMB as follows:

According to the Article 19 of the Capital Market Law, numbered 6362 and effective from 30 December 2012, and Dividend Communiqué of CMB, numbered II-19.1 and effective from 1 February 2015, listed companies shall distribute their profits within the framework of the profit distribution policies to be determined by their general assemblies and in accordance with the prevailing regulations. Regarding the profit distribution policies of the listed companies, CMB may set different principles on companies with similar qualifications.

In accordance with the Turkish Commercial Code, unless the required reserves and the dividend for shareholders as determined in the Articles of Association or in the dividend distribution policy of the company are set aside; no decision may be taken to set up other reserves, to transfer profits to the subsequent year or to distribute dividends to the holders of usufruct shares, to the members of the board of directors or to the employees; and no dividend can be distributed to these people unless the determined dividend for shareholders is paid in cash.

19. EQUITY (cont'd)

For the listed companies, dividend distribution is made evenly to all existing shares as of the date of dividend distribution without considering the dates of issuance and acquisition of the shares.

Companies shall distribute their profits through general assembly decisions in accordance with the profit distribution policies to be determined by their general assemblies as well as the related provisions of the prevailing regulations. A minimum distribution rate has not been determined in these regulations. The companies pay dividends as determined in their articles of associations or profit distribution policies. Furthermore, dividends may be paid in installments with same or different amounts and profit share advances may be distributed over the profit in the interim financial statements.

20. SALES (REVENUES) AND COST OF SALES (-)

Sales, (Revenues)	**01.01.-31.12.2019**	**01.01.-31.12.2018**
Domestic sales	48.443.669	35.201.010
Exports	913.782	514.753
Other income	1.555	-
Total revenues	**49.359.006**	**35.715.763**
Sales returns	(255.000)	(1.483)
Other discounts	-	-
Net Sales	**49.104.006**	**35.714.280**

Cost of Sales (-)	**01.01.-31.12.2019**	**01.01.-31.12.2018**
Cos of services sold	28.641.871	19.294.270
Cost of merchandises sold	1.282.801	835.311
Cost of other sales	-	-
Cost of Sales	**29.924.672**	**20.129.581**

Gros Profit / (Loss)	**19.179.334**	**15.584.699**

21.RESEARCH EXPENSES, MARKETING EXPENSES, GENERAL ADMINISTRATION EXPENSES

	01.01.-31.12.2019	01.01.-31.12.2018
General administrative expenses	5.196.207	4.721.448
Marketing expenses (-)	1.346.260	882.094
Research Expenses	4.447	15.971
Total	**6.546.914**	**5.619.513**

General administrative expenses

	01.01.-31.12.2019	01.01.-31.12.2018
Personnel wage expenses	929.566	1.291.434
Consultancy, notary and consultancy expenses	566.626	142.973
Electricity, water, heating costs	266.842	217.791
Communication expenses	73.840	85.297
Food expense	516.218	446.301
Vehicle expenses	307.884	283.198
Rent expenses	465.403	251.569
Accommodation and travel expenses	31.541	18.659
Representation and entertainment expenses	205.191	44.957
Litigation and enforcement costs	56.219	18.832
Allowance expenses	1.500	14.837
Computer licensing expenses	1.187	1.915
Depreciation expenses	1.081.375	717.988
Taxes, duties and fees	184.951	548.173
Other	507.864	637.524
Total	**5.196.207**	**4.721.448**

Marketing expenses (-)

	01.01.-31.12.2019	01.01.-31.12.2018
Personnel wage expenses	151.725	319.759
Tender participation expenses	988.627	481.547
Vehicle expenses	8.906	5.541
Certification expenses	5.250	23.200
Education and consultancy expenses	843	15.000
Representation and entertainment expenses	4.721	11.477
Congress and symposium expenses	85.460	-
Other	100.728	25.570
Total	**1.346.260**	**882.094**

Research Expenses

	01.01.-31.12.2019	01.01.-31.12.2018
Education and consultancy expenses	4.447	15.971
Other	-	-
Total	**4.447**	**15.971**

22. OTHER INCOME AND EXPENSES FROM OPERATING ACTIVITIES

Other income from operating activities:

	01.01.-31.12.2019	01.01.-31.12.2018
Incentive revenues	3.187.619	2.295.383
Deferred financing expenses	16.909	31.486
Reversals of deferred financing income	318.477	98.918
Reversal of provisions for receivables	176.274	68.962
Other	405.237	163.588
Total	**4.104.516**	**2.658.337**

2.728.100 TL of the incentive income is comprised of research and development incentive income within the scope of Law No. 5746 and TL 459.518 from other incentive income.

Other expenses from operating activities:

	01.01.-31.12.2019	01.01.-31.12.2018
Deferred financing income	115.060	318.477
Reversals of deferred financing expenses	98.918	39.652
Provisions for doubtful receivables	307.169	362.048
Provisions for law suits	34.380	28.429
Other	31.105	77.623
Total	**586.632**	**826.229**

23. INCOMES and EXPENSES FROM INVESTING ACTIVITIES

Income from investing activities

	01.01.-31.12.2019	01.01.-31.12.2018
Interest incomes	584.126	196.580
Total	**584.126**	**196.580**

Expense from investing activities

There is none (01.01.-31.12.2018: None).

24. FINANCIAL INCOMES and EXPENSES

Financial Incomes

There is none (01.01.-31.12.2018: None).

Financial Losses (-)

	01.01.-31.12.2019	01.01.-31.12.2018
Interest expenses	203.761	454.737
Commission expenses	169.616	165.013
Leasing finance expenses	140.205	29.728
Other	22.120	-
Total	**535.702**	**649.478**

25. ANALYSIS OF OTHER COMPREHENSIVE INCOME MATERIALS

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

In this item, other items of comprehensive income, such as the following are defined as other items of comprehensive income and reported as equity items in the period in which they arise and in no case be transferred to profit or loss, are followed:

	01.01.-31.12.2019	01.01.-31.12.2018
Actuarial gain/loss	(430.117)	(227.788)
Deferred tax arising from actuarial gain/loss	94.626	50.113
Total	**(335.491)**	**(177.675)**

Other comprehensive Income/Loss to be reclassified to Profit or Loss

There is none (01.01.-31.12.2018: None).

26. RELATED PARTIES

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

Receivables from related parties:

	31 December 2019		31 December 2018	
Shareholders	**Trade**	**Other**	**Trade**	**Other**
Abdülkerim GAZEN	-	-	-	-
Total	**-**	**-**	**-**	**-**

Payables to related parties:

	31 December 2019		31 December 2018	
Shareholders	**Trade**	**Other**	**Trade**	**Other**
Abdülkerim GAZEN	-	-	-	94.645
Total	**-**	**-**	**-**	**94.645**

In the current period, the parent company has accrued fair interest in the amount of TL 217.157 to the Company partner.

The amount of rights granted to senior management in the current period is 1.950.000 TL (Previous period: 891.000 TL).

27.TAX ASSETS AND LIABILITIES

Current income tax assets

	31 December 2019	31 December 2018
Corporate tax	-	-
Prepaid tax and other legal payables (-)	(92.995)	(20.789)
Period profit tax liability / (Assets)	**(92.995)**	**(20.789)**

Corporate Tax

The corporate tax rate is 22 % in the year 2019 in Turkey. The corporate tax rate which will be realized over the corporate earnings that is subject to taxation, is calculated over the tax assessment after adding the non-deductable expenses and deducting the tax- exempt profit, income that are not subject to taxation and other discounts (if there is previous year losses and utilized investment discounts).

In accordance with the regulation numbered 7061, published in Official Gazette on 5 December 2017,"Bazı Vergi Kanunları le Diger Bazı Kanunlarda Degisiklik Yapılmasına Dair Kanun", corporate tax rate for the years 2018, 2019 and 2020 has increased from 20% to 22%. Therefore, deferred tax assets and liabilities as of 31 December 2017 are calculated with 22% tax rate for the temporary differences which will be realized in 2018, 2019 and 2020, and with 20% tax for those which will be realized after 2021 and onwards.

According to Turkish tax legislation, tax returns, financial losses on income for the period, not exceeding 5 years. However, it is not permitted to deduct loss from retained earnings. There is no any implementation with the tax authorities in Turkey about the tax payments to reach a mutual understanding. The corporate tax return must be filed by the 25th day of the fourth month after the end of the company's accounting period. Furthermore, tax authorities has the authority to inspect the accounting records in 5 year. In case the tax authority ascertains any faulty in records, the amount of tax that will be paid can change.

Tax Provisions in Income Statements	01.01.-31.12.2019	01.01.-31.12.2018
Tax for the period	-	-
Deferred tax income / (charge)	(1.547.698)	892.033
Total	**(1.547.698)**	**892.033**

Deferred Tax

Company is entering the deferred tax assests and liabilities into account for the temporary timing differences which are generated from the differences between statutory financial statements and financial statements that are prepared according to the Turkish Financila Reporting Standards ("TFRS"). These differences generally arise, because some of the income and expense items' amounts that are subject to taxation are placed in different periods in statutory financial statements and in financial statements prepared according to the TFRS and it is specified below.

27. TAX ASSETS AND LIABILITIES (cont'd)

Tax rate for calculating deferred tax assets and liabilities is %22 at 31 December 2019 (31 December 2018: 22 %).

	Temporary Differences		Deferrd tax	
Deferred tax assets	**31 December 2019**	**31 December 2018**	**31 December 2019**	**31 December 2018**
Unearned finans expenses	115.060	318.477	25.313	70.068
Provision for doubtful receivables	571.229	440.334	125.670	96.873
Adjustment for depreciations	-	233.271	-	46.654
Adjustment for amortizations	3.331.277	2.740.319	666.255	548.064
Provision for unused vacations	299.181	350.469	65.820	77.103
Provision for law suits	584.145	549.765	128.512	120.948
Adjustment for deferred incomes	2.263.889	10.097.222	498.056	2.221.389
Provision for employee termination benefits	902.491	675.428	198.548	148.594
Adjustment for borrowings	22.417	72.697	4.932	15.993
Total	**8.089.689**	**15.477.982**	**1.713.106**	**3.345.686**
Deferred tax liabilities				
Unearned finans incomes	(16.909)	(98.918)	(3.720)	(21.760)
Adjustment for time deposits	-	(10.727)	-	(2.362)
Adjustment for depreciations	(126.563)	(2.694)	(25.313)	(539)
Capitalized development costs (" Java based HBYS")	(3.476.679)	(4.396.079)	(695.336)	(879.216)
Capitalized development costs (".Net HBYS")	(3.147.594)	(3.147.594)	(629.519)	(629.519)
Total	**(6.767.745)**	**(7.656.012)**	**(1.353.888)**	**(1.533.396)**
Deferred tax assets/ (liabilities), net	**1.321.944**	**7.821.970**	**359.218**	**1.812.290**

Movements of the deferred tax are as follows:

	01.01.-31.12.2019	**01.01.-31.12.2018**
Balance as of January 1	1.812.290	870.144
Deferred tax income or loss	(1.547.698)	892.033
Deferred tax reduced from equity	94.626	50.113
Balance at the end of the period	**359.218**	**1.812.290**

28.EARNINGS PER SHARE

	01.01.-31.12.2019	01.01.-31.12.2018
Net profit / (loss) for the period from continued operations:		
Net profit / (loss) for the period	14.651.030	12.236.429
Weighted average number of shares	40.000.000	18.000.000
Earnings per share	**0,37**	**0,68**
Earnings per share/ (loss)		
Profit / (loss) for te period	14.651.030	12.236.429
Net period profit / (loss) of minority shares	-	-
Net period profit / (loss) of parent company	14.651.030	12.236.429
Weighted average number of shares	40.000.000	18.000.000
Earnings per share	**0,37**	**0,68**

	31 December 2019	31 December 2018
Number of weighted shares at the beginning of the period	18.000.000	18.000.000
Number of shares issued within the period	22.000.000	-
Number of shares at the end-of-period	40.000.000	18.000.000

29.FOREIGN CURRENCY POSITION

Foreign currency positions.

Foreing currency risk is a financial risk which arises from currency exposures. The Group does not have any asset and liability in foreign currecy.

30.FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's main risks arising from financial instruments are interest rate risk, liquidity risk and credit risk.

Capital Risk Management

The Group; as well as in the previous period, the capital adequacy of the debt / equity ratio monitors. This ratio is calculated by dividing net debt to total equity. Net debt, total debt net of cash and cash equivalents shown in the balance sheet as borrowings, trade and other payables are deducted.

	31 December 2019	31 December 2018
Total Liabilities	12.408.946	20.297.582
Less: Cash and cash equivalents	(2.927.899)	(6.095.046)
Net Liabilities	**9.481.047**	**14.202.536**
Total Equity	**66.912.584**	**52.597.045**
Capital	40.000.000	18.000.000
Net Liabilities / Total Equity	**0,14**	**0,27**

The current ratio of liquidity ratios is as follows.

	31 December 2019	31 December 2018
Current assets	12.073.777	15.649.467
Short term liabilities	9.131.688	15.778.011
Current ratio	**2.942.089**	**(128.544)**
Net working capital excess / (deficit)	**1,32**	**0,99**

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

EBITDA

	01.01.-31.12.2019	01.01.-31.12.2018
Net income / (loss) for the period	14.651.030	12.236.429
Other income / expenses from main activities, net	(3.517.884)	(1.832.108)
Income / expenses from investment activities, net	(584.126)	(196.580)
Depreciations expenses	5.402.771	4.007.890
Financing expenses	535.702	649.478
Tax income / (loss)	1.547.698	(892.033)
EBITDA	**18.035.191**	**13.973.076**
EBITDA margin	**36,73%**	**39,12%**

Financial Risk Factors

Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Group to significant concentration of credit risk consist principally of cash and cash equivalents and trade receivables. Maximum credit risk on the Group is limited to the amounts disclosed on the financial statements.

The Group maintains cash and cash equivalents with various financial institutions. It is the Group's policy to limit exposure to any one institution and revalue the credibility of the related financial institutions continuously.

The credit risk associated with trade receivables is partially limited due to a large customer base and due to management's limitation on the extension of credit to customers. The Group generally requires collateral to extend credit to its customers excluding its distributors.

The Society's credit risks mainly arises from trade receivables. The Group manages this risk by limiting the duration of the credit. Credit limits are monitored regularly by the Group and the customer's financial position, taking into account the customer's credit quality and other factors considered. The Group does not have any derrivative finanacial instruments. (31 December 2018: None).

	Receivables					
31 December 2019	**Trade Receivables**		**Other Receivables**			
	Related Party	**Third Party**	**Related Party**	**Third Party**	**Banks**	**Other cash**
Maximum credit risk exposed as of reporting date	-	7.650.170	-	253.201	2.924.752	3.147
- Collateralized or secured with guarantees part of maximum credit risk	-	-	-	-	-	-
A. Neither past due or not impaired	-	7.650.170	-	253.201	2.924.752	3.147
B. Restructured otherwise accepted as past due or not impaired	-	-	-	-	-	-
C. Past due but not impaired	-	-	-	-	-	-
-Secured portion by guarantees, etc.	-	-	-	-	-	-
D. Off balance sheet items bearing credit risk	-	-	-	-	-	-
Past due (gross amount)	-	571.229	-	-	-	-
-Impairment (-)	-	(571.229)	-	-	-	-
-Net value collateralized or guaranteed part of net value	-	-	-	-	-	-
Not overdue (gross amount)	-	-	-	-	-	-
-Impairment (-)	-	-	-	-	-	-
-Net value collateralized or guaranteed part of net value	-	-	-	-	-	-
E. Off balance sheet items bearing credit risk	-	-	-	-	-	-

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

	Receivables					
31 December 2018	**Trade Receivables**		**Other Receivables**			
	Related Party	**Third Party**	**Related Party**	**Third Party**	**Banks**	**Other cash**
Maximum credit risk exposed as of reporting date	-	8.498.367	-	206.342	6.094.615	431
- Collateralized or secured with guarantees part of maximum credit risk	-	-	-	-	-	-
A. Neither past due or not impaired	-	8.498.367	-	206.342	6.094.615	431
B. Restructured otherwise accepted as past due or not impaired	-	-	-	-	-	-
C. Past due but not impaired	-	-	-	-	-	-
-Secured portion by guarantees, etc.	-	-	-	-	-	-
D. Off balance sheet items bearing credit risk	-	-	-	-	-	-
Past due (gross amount)	-	440.334	-	-	-	-
-Impairment (-)	-	(440.334)	-	-	-	-
-Net value collateralized or guaranteed part of net value	-	-	-	-	-	-
Not overdue (gross amount)	-	-	-	-	-	-
-Impairment (-)	-	-	-	-	-	-
-Net value collateralized or guaranteed part of net value	-	-	-	-	-	-
E. Off balance sheet items bearing credit risk	-	-	-	-	-	-

Liquidity Risk

Liquidity risk is the risk that an entity will be unable to meet its net funding requirements. The risk is mitigated by matching the cash in and out flow volume supported by committed lending limits from qualified credit institutions. The maturity breakdown of financial assets and liabilities has been indicated by considering the period from the balance sheet date to maturity date. Those financial assets and liabilities which have no maturities have been classified under "1 to 5 years".

Based on the expected maturity of the liquidity management of the Group, carries out under the contract in accordance with the maturity.

31 December 2019							
Maturities accordance with the contract	**Book Value**	**Total of contractual cash outflow**	**Less than 3 months**	**3-12 months**	**1-5 years**	**More than 5 years**	**Dipnot**
Non-Derivative Financial Liabilities	**3.672.307**	**3.684.804**	**2.357.033**	**306.892**	**1.020.879**	**-**	**-**
Bank loans	857.832	857.832	847.324	10.508	-	-	7
Other short term liabilities	212.168	212.168	212.168	-	-	-	9
Financial lease obligations	1.186.249	1.198.746	1.198.746	-	-	-	8
Liabilities arising from renting	1.416.058	1.416.058	98.795	296.384	1.020.879	-	7
Non-Derivative Financial Liabilities	**5.569.018**	**5.573.430**	**5.007.457**	**565.973**	**-**	**-**	**-**
Bank loans	-	-	-	-	-	-	7
Trade payables	182.187	186.599	186.599	-	-	-	8
Other payables	2.471.601	2.471.601	2.471.601	-	-	-	18
Deferred incomes	2.263.889	2.263.889	1.697.916	565.973	-	-	11
Other payables	651.341	651.341	651.341	-	-	-	9
Maturities accordance with the contract							
Cash inflows from derivatives	-	-	-	-	-	-	
Cash outflows from derivatives	-	-	-	-	-	-	

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

31 December 2018							
Maturities accordance with the contract	**Book Value**	**Total of contractual cash outflow**	**Less than 3 months**	**3-12 months**	**1-5 years**	**More than 5 years**	**Dipnot**
Non-Derivative Financial Liabilities	**3.450.519**	**3.450.519**	**731.158**	**1.558.733**	**1.160.628**	**-**	**-**
Bank loans	3.183.478	3.183.478	590.515	1.525.027	1.067.936	-	7
Financial lease obligations	134.500	134.500	134.500	-	-	-	8
Other short term liabilities	-	-	-	-	-	-	9
Other long term liabilities	132.541	132.541	6.143	33.706	92.692	-	18
Non-Derivative Financial Liabilities	**1.897.077**	**1.995.995**	**1.995.995**	**-**	**-**	**-**	**-**
Bank loans	-	-	-	-	-	-	7
Trade payables	1.897.077	1.995.995	1.995.995	-	-	-	8
Other payables	-	-	-	-	-	-	9
Maturities accordance with the contract							
Cash inflows from derivatives	-	-	-	-	-	-	
Cash outflows from derivatives	-	-	-	-	-	-	

Market Risk

Market risk due to changes in market prices, the fair value or future cash flows of a financial instrument will negatively affect a business is the risk that fluctuations.

Interest rate risk

Interest rate risk arises from the possibility of interest rate changes that affect the financial statements. The Group is exposed to interest rate risk because of timing differences of its assets and liabilities which is expired in a current period. There is not any risk management pattern and implementation which is defined and in the Group. The Group administration manages the interest rate risk by making decision and with its implementations although there isn't any risk management model defined in the Group.

As of 31 December 2019 and 31 December 2018, the Company's interest position is as follows:

Financial instruments with fixed interest	**31 December 2019**	**31 December 2018**
Borrowins (Not 7)	1.070.000	3.183.478
Cash and Cash Equivalents (Not 5)	765.079	5.794.739

The estimated fair values of financial instruments have been determined by the Group using available market information and appropriate valuation methodologies.

Fair value hierarchy table

The Group classifies the fair value measurement of each class of financial instruments according to thesource, using the three-level hierarchy, as follows:

Level 1: Market price valuation techniques for the determined financial instruments traded in markets (unadjusted)

Level 2: Other valuation techniques includes direct or indirect observable inputs. The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates.

Level 3: Valuation techniques does not contain observable market inputs.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

Financial assets carried at fair value in statement of financial position	**31 December 2019**	**Level 1**	**Level 2**	**Level 3**
	-	**-**	**-**	**-**
Cash and cash equivalents	**2.927.899**	**-**	2.927.899	**-**
Trade receivables	**-**	**-**	**-**	**-**

Financial liabilities carried at fair value in statement of financial position	**31 December 2019**	**Level 1**	**Level 2**	**Level 3**
Financial liabilities	**1.070.000**	**-**	1.070.000	**-**
Trade payables	**-**	**-**	**-**	**-**

Financial assets carried at fair value in statement of financial position	**31 December 2018**	**Level 1**	**Level 2**	**Level 3**
Financial investments	**-**	**-**	**-**	**-**
Cash and cash equivalents	**6.095.046**	**-**	6.095.046	**-**
Trade receivables	**-**	**-**	**-**	**-**

Financial liabilities carried at fair value in statement of financial position	**31 December 2018**	**Level 1**	**Level 2**	**Level 3**
Financial liabilities	**3.183.478**	**-**	3.183.478	**-**
Trade payables	**94.645**	**-**	94.645	**-**

The Group does not have any hedge accounting practice. (31 December 2018: None).

31. EVENTS AFTER BALANCE SHEET DATE

There is none (31 December 2018: None).

32. OTHER CONSIDERATIONS WHICH EFFECT FINANCIAL STATEMENTS DRAMATICALLY OR WHICH ARE NECESSARY FOR THE SAKE OF FINANCIAL STATEMENTS TO BE CLEAR, INTERPRETABLE AND APPREHENSIBLE

There is none (31 December 2018: None).