

**HEDEF ARAÇ KİRALAMA
VE SERVİS A.Ş.**

**CONSOLIDATED FINANCIAL
STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2022
AND INDEPENDENT
AUDITOR'S REPORT**

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Hedef Araç Kiralama ve Servis A.Ş.

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Hedef Araç Kiralama ve Servis A.Ş. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

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

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

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

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

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

As part of an audit 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 of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (cont'd)

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

DRT Bağımsız Denetim ve ŞMMM A.Ş.

DRT BAĞIMSIZ DENETİM VE SERBEST MUHASEBECİ MALİ MÜŞAVİRLİK A.Ş.
Member of **DELOITTE TOUCHE TOHMATSU LIMITED**

İstanbul, 14 April 2023

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HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.**STATEMENT OF CONSOLIDATED FINANCIAL POSITION AT 31 DECEMBER 2022**

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

	Notes	31 December 2022	31 December 2021
ASSETS			
Current assets			
Cash and cash equivalents	4	337,807,950	132,092,448
Trade receivables	5	171,846,961	142,623,951
Inventories	7	38,852,718	43,085,488
Firm commitment hedge	8	148,824	4,380,507
Derivative instruments	9	2,448,021	37,034,783
Right-of-use assets	13	2,095,898	27,458,453
Other current assets	10	99,218,233	60,310,689
Total current assets		652,418,605	446,986,319
Non-current assets			
Assets used in operational lease	12	6,123,210,783	5,560,048,077
Property and equipment	14	15,414,955	22,517,374
Right-of-use assets	13	349,316	4,016,743
Intangible assets	15	4,488,633	8,959,143
Investments accounted for using the equity method	11	--	41,784,044
Other non-current assets	10	15,085,000	7,257,344
Total non-current assets		6,158,548,687	5,637,325,381
Total assets		6,810,967,292	6,084,311,700

The consolidated financial statements as at and for the 31 December 2022 have been approved and signed by Önder Erdem and Ersan Öztürk, Managing Directors of the Company on 14 April 2023.

The board of directors has the authority to make changes on the financial statements.

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

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.**STATEMENT OF CONSOLIDATED FINANCIAL POSITION AT 31 DECEMBER 2022**

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

	Notes	31 December 2022	31 December 2021
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Borrowings	16	1,790,678,096	1,494,828,267
Trade payables	17	240,957,406	387,328,649
Lease liabilities	13	2,116,247	29,593,603
Derivative instruments	9	2,961,429	1,135,662
Other current liabilities	18	118,538,350	159,901,278
Total current liabilities		2,155,251,528	2,072,787,459
Non-current liabilities			
Borrowings	16	906,166,095	1,597,161,143
Lease liabilities	13	1,633,011	5,910,529
Reserve for employment termination benefits	20	1,146,227	1,722,413
Deferred tax liability	19	880,445,430	672,415,700
Total non-current liabilities		1,789,390,763	2,277,209,785
Total liabilities		3,944,642,291	4,349,997,244
Shareholders' equity			
Share capital	21	281,667,592	208,354,966
Adjustment to share capital	21	248,624,740	31,464,314
Total paid-in share capital	21	530,292,332	239,819,280
Actuarial adjustment on post-employment benefit obligation		(2,293,385)	(4,453,713)
Effect of merger involving entities under common control		(1,237,060,681)	(1,236,419,188)
Revaluation reserve		521,295,425	576,713,104
Cash flow hedge reserves	9	(880,727)	29,627,826
Retained earnings		2,080,515,830	904,754,020
Net profit for the year		974,456,207	1,224,273,127
Total shareholders' equity		2,866,325,001	1,734,314,456
Total liabilities and shareholders' equity		6,810,967,292	6,084,311,700

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

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.**STATEMENT OF CONSOLIDATED PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 DECEMBER 2022**

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

	Notes	31 December 2022	31 December 2021
Revenue	22	2,679,927,435	3,865,507,375
Cost of sales	23	(1,672,141,166)	(2,236,973,144)
Gross profit		1,007,786,269	1,628,534,231
General administrative expenses	24	(240,364,103)	(159,535,343)
Marketing and selling expenses	25	(39,880,275)	(55,145,417)
Other income	26	45,464,563	35,400,989
Other expenses	26	(17,421,636)	(40,610,858)
Share of net profit / (loss) of subsidiaries accounted for using the equity method		(41,784,044)	8,392,126
Operating profit		713,800,774	1,417,035,728
Finance income	27	26,134,990	72,396,797
Finance costs	27	(618,578,324)	(621,906,967)
Foreign exchange gain/(loss), net	27	(16,018,018)	40,589,401
Monetary gain		1,091,000,937	556,072,527
Profit before tax		1,196,340,359	1,464,187,486
Deferred and current income taxes	19	(221,884,152)	(239,914,359)
Net profit for the year		974,456,207	1,224,273,127
Profit per share		1.838	2.309
Other comprehensive income:			
Cash flow hedge reserves		(38,135,691)	40,742,510
Deferred tax		7,627,138	(8,148,502)
Net other comprehensive loss that may be reclassified to profit or loss in subsequent periods		(30,508,553)	32,594,008
Actuarial adjustment on post employment benefit obligation	20	2,160,328	(173,418)
Revaluation gain for assets used in operational leases		232,378,204	720,891,380
Deferred tax		(46,475,641)	(144,178,276)
Net other comprehensive income that will not be reclassified to profit or loss in subsequent periods		188,062,891	576,539,686
Total comprehensive income		1,132,010,545	1,833,406,821

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

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.

STATEMENT OF CONSOLIDATED CHANGES IN EQUITY FOR THE PERIOD ENDED 31 DECEMBER 2022

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

	Notes	Share capital	Adjustment to share capital	Total paid-in share capital	Effect of merger involving entities under common control	Cash flow hedge reserve	Actuarial adjustment on post-employment benefit obligation	Revaluation Reserve	Retained earnings	Total equity
Previously reported		31,414,314	--	31,414,314	--	(1,326,915)	(1,914,782)	213,708,031	266,363,458	508,144,106
Balance at 1 January 2021	21	239,819,280	--	239,819,280	--	(2,966,182)	(4,280,295)	--	904,754,020	1,137,326,823
E Effect of merger involving entities under common control		(31,464,314)	31,464,314	--	(1,236,419,188)	--	--	--	--	(1,236,419,188)
Transfers		--	--	--	--	--	--	--	--	--
Total comprehensive income/(loss)		--	--	--	--	32,594,008	(173,418)	576,713,104	1,224,273,127	1,833,406,821
Balance at 31 December 2021	21	208,354,966	31,464,314	239,819,280	(1,236,419,188)	29,627,826	(4,453,713)	576,713,104	2,129,027,147	1,734,314,456
Balance at 1 January 2022	21	208,354,966	31,464,314	239,819,280	(1,236,419,188)	29,627,826	(4,453,713)	576,713,104	2,129,027,147	1,734,314,456
Effect of merger involving entities under common control		--	--	--	(641,493)	--	--	--	641,493	--
Transfers		73,312,626	217,160,426	290,473,052	--	--	--	--	(290,473,052)	--
Transfer from disposal of assets		--	--	--	--	--	--	(241,320,242)	241,320,242	--
Total comprehensive income/(loss)		--	--	--	--	(30,508,553)	2,160,328	185,902,563	974,456,207	1,132,010,545
Balance at 31 December 2022	21	281,667,592	248,624,740	530,292,332	(1,237,060,681)	(880,727)	(2,293,385)	521,295,425	3,054,972,037	2,866,325,001

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

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.

STATEMENT OF CONSOLIDATED CASH FLOWS FOR THE PERIOD ENDED 31 DECEMBER 2022 (Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

	Notes	31 December 2022	31 December 2021
Net income		974,456,207	1,224,273,127
Adjustments for:			
Taxation expense	19	221,884,152	239,914,358
	12,13,14,1		
Depreciation and amortisation	5	77,431,016	42,519,864
Provision for employment termination benefits	20	450,412	468,203
Provision for unused vacation and personnel bonus	18	(3,754,793)	(1,530,831)
Provision for impaired trade receivables	5	10,808,241	25,232,278
Impairment of leased assets	12	(394,039)	(1,617,431)
Net change in firm commitment fair value hedge		4,231,683	86,822,098
Amortisation of ROA	13	(614,824)	(1,123,696)
Foreign exchange loss on borrowings	27	12,293,412	16,316,406
Provision for litigation	26	(863,269)	2,912,285
Interest income	27	(26,134,990)	(72,396,797)
Interest expenses	27	618,578,324	621,906,967
Net profit/(loss) in investments accounted for using the equity method	11	41,784,044	(8,392,126)
Gain on sale of investments	26	(19,292,904)	--
Interest accrual net	27	26,605,866	13,918,340
Effect of changes in foreign currency exchange rate on cash and cash equivalents		(3,569,916)	65,609,739
Net cash generated from operating activities before changes in operating assets and liabilities		1,933,898,622	2,254,832,784
Purchase of assets used in operational lease	12	(2,149,317,344)	(3,235,666,130)
Proceeds from the sale of assets used in operational lease		1,669,568,082	1,345,614,020
Net decrease/ (increase) in other assets	10	6,931,395	(48,020,046)
Net (increase)/decrease in blocked time deposits	4	6,207,605	126,579,295
Net (increase)/decrease in accounts receivable		(54,285,372)	(85,207,305)
Net (increase)/decrease in inventories		43,085,488	389,857,137
Net increase in other liabilities	18	(71,316,059)	148,122,145
Net (decrease)/increase in accounts payables	17	(146,371,244)	(49,949,077)
Employee termination benefits paid	20	(770,551)	(1,155,309)
Personnel bonus payments		(2,974,890)	(2,590,242)
Collection of doubtful receivable	5	14,254,120	16,765,248
Net cash generated / used in operating activities		1,248,909,852	859,182,522
Cash flows used in investing activities:			
Purchase of property and equipment net of disposals	14	(603,382)	(7,801,394)
Disposals of equity investments		19,292,904	--
Purchase of intangible assets net of disposals	15	(1,003,479)	1,325,122
Interest received	27	26,134,990	72,396,797
Net cash used in investing activities		43,821,033	65,920,525
Cash flows from financing activities:			
Proceeds from bank borrowings, net		(407,438,631)	(406,774,472)
Payments to right of use assets liability		(31,754,874)	15,179,092
Interest paid		(645,184,190)	(635,825,308)
Net cash provided from financing activities		(1,084,377,695)	(1,027,420,688)
Effect of change in foreign exchange rate on cash and cash equivalents		3,569,916	(65,609,739)
Net (decrease)/increase in cash and cash equivalents		211,923,106	(167,927,380)
Cash and cash equivalents at the beginning of the period	4	112,962,680	280,890,060
Cash and cash equivalents at end of the period	4	324,885,786	112,962,680

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

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 1 - ORGANISATION AND THE NATURE OF OPERATIONS

Hedef Araç Kiralama ve Servis A.Ş. ("the Company" or "Hedef Filo"), was established in 2003 in Istanbul. The Company's shares have been acquired in 2006 by TCAR S.A.R.L ("TCAR") based in Luxembourg.

As of 5th of October 2021 the shareholders of Hedef Filo, Ersan Öztürk and Önder Erdem, has established a new company with equal 50% shares, HDF Cars Araç Kiralama Hizmetleri A.Ş. (HDF Cars), which became 86% shareholder of the Company as of 24th November 2021.

As per the resolution of Board of the Directors dated 3 December 2021, the shares owned by Önder Erdem, (2,199,002 number of shares with a par value of TRY 1 each), and the shares owned by Ersan Öztürk, (2,199,002 number of shares with a par value of TRY 1 each), were transferred to HDF Cars Araç Kiralama Hizmetleri A.Ş. After the conclusion of the share transfers HDF Cars Araç Kiralama Hizmetleri A.Ş. became 100% owner of the shares. HDF Cars was established solely for the purpose of these share purchase transactions, and merged with Hedef Filo on 31 March 2022, with the decision of the board of directors No 3, dated 29 March 2022. With this merger, HDF Cars was transferred to Hedef Filo with all its assets and liabilities, and this transfer was registered with the announcement numbered 72843 in the Trade Registry Gazette, dated , 5 April 2022 and numbered 10552. With this merger realized as of 31 March 2022, the share capital of Hedef Filo was increased from TRY 239,819,280 to TRY 530,292,332. After this merger and capital increase, shares of Önder Erdem and Ersan Öztürk in Hedef Filo became % 50 for both shareholders.

The Company primarily operates in the operational fleet rental business of all brands of motor vehicles. Total number of employees of the Company is 182 as of 31 December 2022 (31 December 2021: 181).

Registered address of the Company is as follows: Ofishane, Merkez Mah. Cendere Cad No: 22 Kat: 12-13, Kağıthane, İstanbul/Turkey.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of presentation of consolidated financial statements

a. Financial reporting standards

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

These consolidated financial statements have been prepared in accordance with, and comply with, International Financial Reporting Standards ("IFRS"), including International Accounting Standards ("IAS") and Interpretations issued by the International Accounting Standards Board ("IASB"). The Company maintains its books of account and prepares its statutory consolidated financial statements in Turkish Lira based on the Turkish Commercial Code, tax legislation and the Uniform Chart of Accounts issued by the Ministry of Finance. These consolidated financial statements are based on the statutory records with adjustments and reclassifications for the purpose of fair presentation in accordance with IFRS. Consequently, the consolidated financial statements are prepared under the historical cost convention other than vehicles held for lease.

NOTE 2 - BASIS OF PRESENTATION OF FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.1 Basis of presentation of consolidated financial statements (Continued)****a. Financial reporting standards (Continued)**

The preparation of consolidated financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the year-end consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current event and actions, actual results ultimately may differ from those estimates.

b. Basis of consolidation

Tiktak Yeni Nesil Ulaşım Çözümleri ve Araç Kiralama Anonim Şirketi "Tiktak" was established as of 1 June 2021. Tiktak provides mobility solutions for individuals and corporates. Hedef Filo owns 33.35% of the shares.

Tiktak, is an associate that Hedef Filo has significant influence but not control or joint control. This is generally the case where the Company holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognised at cost.

The details of the Company's investment in associates at 31 December 2022 and 31 December 2021 are as follows:

Name of Associate	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Company		Principal Activity
		2022	2021	
Tiktak A.Ş.	Turkey	33.35 %	33.35 %	Rental Business

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with IFRS 5. Under the equity method, an investment in associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the associate or a joint venture.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.1 Basis of presentation of consolidated financial statements (Continued)

b. Basis of consolidation (Continued)

When the Company's share of losses of an associate or a joint venture exceeds the Company's interest in that associate or a joint venture (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate or a joint venture), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the associate or a joint venture.

c. Functional and presentation currency

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

d. Financial reporting in hyperinflationary economies

The financial statements and the corresponding figures for previous periods are restated for the changes in the general purchasing power of the functional currency and, as a result, are stated in terms of the measuring unit current at the end of the reporting period in accordance with IAS 29 Financial Reporting in Hyperinflationary Economies.

IAS 29 is applied to the financial statements, including the consolidated financial statements, of any entity whose functional currency is the currency of a hyperinflationary economy. When a hyperinflation in an economy exists, IAS 29 requires that the financial statements of an entity whose functional currency is the currency of a hyperinflationary economy is stated in terms of the measuring unit current at the end of the reporting period.

As of the reporting date, since the cumulative change in the general purchasing power of the last three years has been over 100% according to the Consumer Price Index ("CPI") number, entities operating in Turkey are required to apply IAS 29 "Financial Reporting in High Inflation Economies" for reporting periods ending on or after 30 June 2022.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.1 Basis of presentation of consolidated financial statements (Continued)**

Following table shows inflation rates for related years calculated considering the Consumer Price Indexes published by the Turkish Statistical Institute:

Date	Index	Adjustment Coefficient	Three years compound inflation rates
31.12.2022	1,128.45	1.000	156%
31.12.2021	686.95	1.643	74%
31.12.2020	504.81	2.235	54%

The outlines of IAS 29 indexing operations are as follows:

- As of the reporting date, all items except those expressed in terms of current purchasing power are indexed using the relevant adjustment coefficients. Amounts from prior years are also indexed in the same way.
- Monetary assets and liabilities are not indexed since they are expressed in terms of current purchasing power at the balance sheet date. Monetary items are cash and items to be received or paid in cash.
- Fixed assets, associates and similar assets are indexed over their historical costs, not exceeding their market values. Depreciations are similarly adjusted. The amounts included in the shareholders' equity have been restated as a result of the application of the general price indices in the periods when these amounts are included in the Company or occurred within the Company.
- Except for income statement items affected by indexing non-monetary items in the statement of financial position that have an impact on the statement of income, all items in the income statement are indexed with the coefficients calculated over the periods in which the income and expense accounts are initially reflected in the financial statements.
- The gain or loss on the net monetary position arising from general inflation is the difference of adjustments made to non-monetary assets, equity items and income statement accounts. This gain or loss on the net monetary position is included in the profit or loss.

The effect of applying IAS 29 Inflation Accounting is summarized below:

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.1 Basis of presentation of consolidated financial statements (Continued)

Restatement of Statement of Financial Position

Statement of financial position amounts not already expressed in terms of the measuring unit current at the end of the reporting period are restated. Accordingly, monetary items are not restated since they are already expressed in terms of the monetary unit current at the end of the reporting period. Non-monetary items are required to be restated unless they are carried at amounts current at the end of the reporting period.

The gain or loss on the net monetary position arising from restatement of non-monetary items is included in profit or loss and separately presented in the statement of comprehensive income.

Restatement of Statement of Profit or Loss

All items in the statement of profit or loss are expressed in terms of the measuring unit current at the end of the reporting period. Therefore, all amounts are restated by applying the changes in the monthly general price index.

Cost of inventory sold is restated by using restated inventories balance.

Depreciation and amortization expenses is restated by using restated property and equipment, intangible assets and right of use assets balances.

Restatement of Statement of Cash Flows

All items in the statement of cash flows are expressed in terms of the measuring unit current at the end of the reporting period.

Consolidated financial statements

The financial statements of any subsidiary whose functional currency is the currency of a hyperinflationary economy is restated by applying a general price index before they are included in the consolidated financial statements issued by its parent. Where such a subsidiary is a foreign subsidiary, its restated financial statements are translated at closing rates. If financial statements with different ends of the reporting periods are consolidated, all items, whether non-monetary or monetary, are restated into the measuring unit current at the date of the consolidated financial statements.

Corresponding figures

Corresponding figures for the previous reporting period are restated by applying a general price index so that the comparative financial statements are presented in terms of the measuring unit current at the end of the reporting period. Information that is disclosed in respect of earlier periods is also expressed in terms of the measuring unit current at the end of the reporting period.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.2 New and Amended International Financial Reporting Standards

a) Amendments that are mandatorily effective from 2022

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

Amendments to IFRS 3 *Reference to the Conceptual Framework*

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

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

Amendments to IAS 16 *Proceeds before Intended Use*

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

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

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

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

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

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.2 New and Amended International Financial Reporting Standards (Continued)

a) Amendments that are mandatorily effective from 2022 (Continued)

Annual Improvements to IFRS Standards 2018-2020 Cycle

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

The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.

Amendments to IFRS 9 *Financial Instruments*

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

Amendments to IAS 41 *Agriculture*

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

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

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

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

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

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.2 New and Amended International Financial Reporting Standards (Continued)

a) Amendments that are mandatorily effective from 2022 (Continued)

Amendments to IFRS 16 COVID-19 Related Rent Concessions beyond 30 June 2021 (Continued)

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

The Group assessed that the adoption of these amendments that are effective from 2022 do not have any effect on the Group's consolidated financial statements.

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

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

IFRS 17	<i>Insurance Contracts</i>
Amendments to IAS 1	<i>Classification of Liabilities as Current or Non-Current</i>
Amendments to IFRS 4	<i>Extension of the Temporary Exemption from Applying IFRS 9</i>
Amendments to IAS 1	<i>Disclosure of Accounting Policies</i>
Amendments to IAS 8	<i>Definition of Accounting Estimates</i>
Amendments to IAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>
Amendments to IFRS 17	<i>Initial Application of IFRS 17 and IFRS 9 — Comparative Information (Amendment to IFRS 17)</i>

IFRS 17 Insurance Contracts

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Amended International Financial Reporting Standards (Continued)

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

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

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

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

Amendments to IFRS 4 Extension of the Temporary Exemption from Applying IFRS 9

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

Amendments to IAS 1 Disclosure of Accounting Policies

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

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

Amendments to IAS 8 Definition of Accounting Estimates

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

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

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

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

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

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.2 New and Amended International Financial Reporting Standards (Continued)

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

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

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

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

Amendments are effective with the first application of IFRS 17.

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

2.3 Lease Accounting

The Company as the lessee

At inception of a contract, the Company assess whether the 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 in exchange for consideration. The Company considers the following matters when assessing whether the agreement transfers the right to control the use of an identified asset for a limited period:

- a) the contract contains 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 Company 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 Company has the right to direct use of the asset. The Company concludes to have the right of use, when it is predetermined how and for what purpose the Company will use the asset. The Company has the right to direct use of asset if either:
 - i. the Company has the right to operate the asset (or to direct others to operate the asset in a manner that it determines) throughout the period of use, without the supplier having the right to change those operating instructions; or
 - ii. the customer designed the asset (or specific aspects of the asset) in a way that predetermines how and for what purpose the asset will be used throughout the period of use.

At the commencement date, the Company recognizes a right-of-use asset and a lease liability in its consolidated financial statements.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.3 Lease Accounting (Continued)

Right-of-use asset

The cost of the right-of-use asset shall comprise:

- a) the amount of the initial measurement of 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 lessee and
- d) restoration costs.

To apply a cost model, the Company measure the right-of-use asset at cost:

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

The Company apply the depreciation requirements in IAS 16 "Property, Plant and Equipment" in depreciating the right-of-use asset, subject to the requirements. If the lease transfers ownership of the underlying asset to the lessee by the end of the lease term or if the cost of the right-of-use asset reflects that the lessee will exercise a purchase option, the Company depreciate the right-of-use asset from the commencement date to the end of the useful life of the underlying asset. Otherwise, The Company depreciate the right-of-use asset from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Company apply IAS 36 "Impairment of Assets" to determine whether the right-of-use asset is impaired and to account for any impairment loss identified.

Lease liability

At the commencement date, the Company measures the lease liability at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Company uses the lessee's incremental borrowing rate. At the commencement date, the lease payments included in the measurement of the lease liability comprise the following payments for the right to use the underlying asset during the lease term that are not paid at the commencement date:

- a) fixed payments, less any lease incentives receivable;
- b) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- c) the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- d) payments of penalties for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease.

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

- a) increasing the carrying amount to reflect interest on the lease liability;
- b) reducing the carrying amount to reflect the lease payments made; and
- c) remeasuring the carrying amount to reflect any reassessment or lease modifications, or to reflect revised in-substance fixed lease payments.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.3 Lease Accounting (Continued)

The Company remeasures the lease liability by discounting the revised lease payments using a revised discount rate, if either:

- a) There is a change in the lease term. The Company determine the revised lease payments based
- b) There is a change in the assessment of an option to purchase the underlying asset. The Company determine the revised lease payments to reflect the change in amounts payable under the purchase option.

The Company determines the revised discount rate as the interest rate implicit in the lease for the remainder of the lease term, if that rate can be readily determined, or the lessee's incremental borrowing rate at the date of reassessment, if the interest rate implicit in the lease cannot be readily determined.

The Company remeasures the lease liability by discounting the revised lease payments, if either:

- a) There is a change in the amounts expected to be payable under a residual value guarantee. The Company determine the revised lease payments to reflect the change in amounts expected to be payable under the residual value guarantee.
- b) There is a change in future lease payments resulting from a change in an index or a rate used to determine those payments.

The Company remeasures the lease liability to reflect those revised lease payments only when there is a change in the cash flows.

The Company accounts for a lease modification as a separate lease if both:

- a) The Company determines its revised lease payments related to the remaining leasing period considering its payments related to the revised agreement. Under these circumstances, the Company uses an unadjusted interest rate.
- b) The Company remeasure the lease liability to reflect those revised lease payments only when there is a change in the cash flows.

The Company determines its revised lease payments related to the remaining leasing period considering its payments related to the revised agreement. Under these circumstances, the Company uses an unadjusted interest rate.

The Company recognises the restructuring of the lease as a separate leasing if both of the following are met:

- a) The restructuring extends the scope of the leasing by including the right of use of one or more underlying assets and
- b) The lease payment amount increases as much as the appropriate adjustments to the price mentioned individually so that the increase in scope reflects the individual price and the terms of the relevant agreement.

The Company as the lessor

For operational leasing agreements such as office building, leased assets are classified under tangible assets or other current assets in the balance sheet and rental income is accounted in the income statement for the leasing period on a straight-line basis.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.3 Lease Accounting (Continued)

Repurchase agreements

Repurchase agreements generally take one of three forms: a forward, a call option and a put option. The Company enters into this type of agreements as a buyer in vehicle purchasing transactions. The resulting accounting will depend on if the seller has an obligation to repurchase, right to repurchase or obligation to repurchase at customer's request. If the agreement is a forward or call, it means that the Company has limited control on the asset and the seller entity can or must repurchase at an amount less than original selling price of asset, means the transaction is accounted a lease and if the seller entity can or must repurchase at an amount equal or more than original selling price of asset means the transaction is a financing arrangement.

If the agreement is a put option, when repurchase price is lower than original selling price and the Company has a significant economic incentive to exercise the right the agreement is accounted as a lease transaction, if not accounted as a purchase of a product with a right to return. When repurchase price is higher than the original selling price and repurchase price more than expected market value the agreement is accounted as a financing arrangement, if repurchase price is less than expected market value and the Company has no significant economic incentive to exercise right its accounted as a purchase of a product with a right to return.

2.4 Related parties

For the purpose of these financial statements, shareholders, directors and key management personnel together with their close family members and enterprises controlled by them are considered and referred to as related parties.

2.5 Cash and cash equivalents

For the purposes of the statement of cash flows, the cash and cash equivalents include the cash on hand and amount due from banks (Note 4) whose maturity date is less than three months.

2.6 Financial Instruments

Financial assets and financial liabilities are recognized when the Company becomes a contractual party to the instrument.

Financial assets and financial liabilities are measured at fair value at initial recognition. Except for financial assets at fair value through profit or loss ("financial assets at FVTPL") and financial liabilities at fair value through profit or loss ("financial liabilities at FVTPL"), transaction costs that are directly attributable to the acquisition of financial assets and issuance of financial liabilities are added to the fair value of the financial assets or deducted from the fair value of financial liabilities at initial recognition.

Transaction costs that are directly attributable to the acquisition of the financial assets at FVTPL and financial liabilities at FVTPL are recognized in profit or loss.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.6 Financial Instruments (Continued)

Non-derivative financial assets

Non-derivative financial assets are classified as "financial assets at amortized cost," "investments in debt instruments at fair value through other comprehensive income" ("debt instruments at FVTOCI"), "equity instruments at FVTOCI", and "financial assets at FVTPL." The classification depends on the nature and purpose of the financial assets and is determined at initial recognition.

All purchases and sales of financial assets made in a regular way are recognized and derecognized on a trade date basis. Purchases and sales made in a regular way refer to acquiring or disposing of financial assets under a contract that requires the delivery of assets within a time frame established by regulation or convention in the marketplace.

Financial assets at amortized cost

Financial assets at amortized cost are classified if both of the following conditions are met: (a) the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Subsequent to initial recognition, financial assets at amortized cost are measured at amortized cost using the effective interest method less any impairment. Interest income based on the effective interest method is recognized in profit or loss.

Trade receivables are carried at amortized cost since financial assets are held under "a hold to collect" business model.

Equity instruments at FVTOCI

The Company makes an irrevocable election at initial recognition to recognize changes in fair value of certain investments in equity instruments in other comprehensive income, rather than in profit or loss, and classifies them as investments in equity instruments at FVTOCI. Subsequent to initial recognition, investments in equity instruments at FVTOCI are measured at fair value and gains or losses arising from the changes in fair value are recognized in other comprehensive income.

The Company transfers accumulated gains or losses directly from other comprehensive income to retained earnings in the case of derecognition or decline in fair value significantly or persistently below the cost. Dividends received related to investments in equity instruments at FVTOCI are recognized in profit or loss.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.6 Financial Instruments (Continued)

Financial assets at FVTPL

Non-derivative financial assets other than those classified as "financial assets at amortized cost," "debt instruments at FVTOCI," or "equity instruments at FVTOCI" are classified as "financial assets at FVTPL." No financial assets have been designated as those measured at fair value through profit or loss to eliminate or significantly reduce accounting mismatches.

Subsequent to initial recognition, financial assets at FVTPL are measured at fair value and gains or losses arising from changes in fair value, dividend income, and interest income are recognized in profit or loss.

Impairment of financial assets

Allowance for financial assets is recognized for expected credit losses (ECL) on financial assets at amortized cost. The Company measures the expected credit losses by using simplified approach' for trade receivables. This approach allows entities to measure expected credit losses equal to life-time expected credit losses. The simplified approach does not require an entity to track the changes in credit risk, but instead, requires the entity to recognize a loss allowance based on lifetime ECLs at each reporting date by using past default and recovery experiences adjusted with the current macroeconomic expectations.

The Company shall recognize in profit or loss the amount of provision for the allowance of doubtful accounts and the amount of a reversal of the allowance for doubtful accounts if any event occurs that decreases the allowance for doubtful accounts. The carrying amount of a financial asset is written off against the allowance for doubtful accounts when the Company has no reasonable expectations of recovering the financial asset in its entirety or a portion thereof.

Derecognition of financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the financial asset expire or the Company transfers substantially all the risks and rewards of ownership of the financial asset.

Non-derivative financial liabilities

Non-derivative financial liabilities are classified as "financial liabilities at amortized cost," and the classification is determined upon initial recognition. Financial liabilities at amortized cost are measured using the effective interest method subsequent to initial recognition. The Company derecognizes financial liabilities when the Company satisfies its obligations or when the Company's obligations are discharged, canceled, or expired.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.6 Financial Instruments (Continued)

Derivatives and hedge accounting

(a) Derivatives

The Company is engaged in derivative transactions, including foreign currency forward contracts and cross currency swap agreements, in order to manage its exposure to foreign exchange rate volatility.

Derivatives are initially recognized at fair value at the date the derivative contracts are entered into and are subsequently measured at fair value at the end of each balance sheet date. Changes in the fair value of derivatives are recognized in profit or loss immediately unless the derivative is designated as a hedging instrument or works effectively as a hedge. Derivative financial assets not designated as hedging instruments are classified into "financial assets at FVTPL," and derivative financial liabilities not designated as hedging instruments are classified as "financial liabilities at FVTPL."

(b) Hedge accounting

The Company documents at the inception of the hedge the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy.

Fair value hedges

The Company hedges the foreign currency risk arising contracted cash flows from non-cancellable lease agreements firm commitments to collect foreign currency denominated lease receivables. These receivables are not recognized under balance sheet according to IFRS 16 lessor accounting for operational leases and the Company cannot measure the foreign currency gain from these receivables to offset foreign currency losses of borrowings during Turkish Lira depreciation against USD and EUR. Therefore, the Company is exposed to foreign exchange currency risk with foreign currency borrowings recognized on balance sheet used in the finance of these contracts. To eliminate this accounting mismatch the Company applies fair value hedge accounting to these contracted non-cancellable future lease receivables in foreign currencies with the foreign currency borrowings. The future lease receivables are identified as hedged item and the borrowings are hedging instruments. Fair value changes of the hedged item attributable to foreign currency risk are recognized as an asset or liability on the balance sheet under the account "Firm commitment hedge" with a corresponding gain or loss which is recognized in the income statement under financial income and expenses (Note 8 and 27). The changes in the fair value of the hedging instrument are also recognized in profit or loss under financial income and expenses.

Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in the cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, within other gains/(losses). Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss.

The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings (Note 9).

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.7 Inventories

Inventories are measured at the lower of cost or net realizable value. Cost elements included in inventories comprise all costs of purchase and other costs incurred in bringing the inventories to their present location and condition. The cost of inventories is determined on the specific identification basis for trade goods. Net realizable value is the estimated selling price in the ordinary course of business, less cost of selling of the vehicles (Note 7).

2.8 Assets used in operational leases

Assets used in operational lease comprise cars leased under operating lease contracts. A lease is classified as an operating lease if the Company retains substantially all the risks and rewards incidental to ownership.

The cost of operating lease cars comprises their purchase price and any incremental and directly attributable costs of bringing the assets held for use in operating leases to working condition for its intended to use. Assets used in operational lease, which consist of motor vehicles, are carried at cost less straight-line depreciation and any impairment in value. Depreciation is calculated on a pro-rata basis at rates based on the estimated economic useful lives of assets after deducting the residual value of the assets which is determined as the expected market value at the end of the leasing period (Note 12). The residual value represents the net amount which the enterprise expects to obtain from an asset at the end of its useful life. Residual values are initially recorded based on appraisals and estimates. Realization of the residual values is dependent on the Company's future ability to market the vehicles under the prevailing market conditions.

Management reviews residual values periodically to determine that recorded amounts are appropriate and if expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Gains or losses on disposal of assets used in operational lease and expenses for repair and maintenance of assets used in operational leases are charged to the comprehensive income statement.

As of 31 December 2017, the Company has started applying revaluation model for its assets used in operational leases in accordance with IAS 16, revaluation model instead of cost model. The fair value of these assets amount as of 31 December 2022 was determined by management using estimates depends on independent data. Valuations are performed with the use of reliable independent data sources. The valuation report is prepared by Denge Değerleme ve Danışmanlık A.Ş. Valuation technique of the independent valuation firm is looking at which an orderly transaction to sell the asset would take place between market participants and the measurement date under current market conditions. The Company acquired its last valuation report on 31 December 2022. As a result of the valuation of the assets used in operational leasing, net of tax TRY 521,295,425 (31 December 2021: TRY 576,713,104) revaluation surplus is recognised under Other Comprehensive Income as of 31 December 2022. As of 31 December 2022, the net book amount of assets used in operational leasing before valuation and impairment is TRY 5,592,567,598 (31 December 2021: TRY 4,938,483,540).

The operating lease instalments are fully recognized on a straight-line basis over the lease term. The instalments are classified and presented as revenue in the statement of comprehensive income.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.9 Property and equipment

All property and equipment is carried at historical cost less depreciation (Note 14). Depreciation is calculated using the straight-line method to write-off the restated cost of each asset to its residual value over the estimated useful life as follows:

Furniture, fixtures and equipment	3 to 16 years
Leasehold improvements	5 to 10 years
Fixtures vehicles	5 to 5 years
Leased vehicles under operational leasing	Average 3 years

Gains or losses on disposals of property, plant and equipment are included in the related income and expense accounts, as appropriate.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount.

2.10 Intangible assets

Costs associated with developing or maintaining computer software programs are recognized as an expense as incurred. Costs that are directly associated with identifiable and unique software products controlled by the Company and that are expected to generate economic benefits exceeding costs beyond one year, are recognized as intangible assets.

Expenditure which enhances or extends the performance of computer software programs beyond their original specifications is recognized as a capital improvement and added to the original cost of the software. Computer software development costs recognized as assets are amortized using the straight-line method over their useful lives, which vary between three to sixteen years.

The carrying amount of each intangible asset is reviewed annually and adjusted for impairment where it is considered necessary. Gain or losses on disposals or on impairments of intangible assets with respect to their restated amounts are included in the related income and expense accounts (Note 15).

2.11 Earnings per share

Earnings per share are determined by dividing net comprehensive income by the weighted average number of shares that have been outstanding during the period concerned (Note 28).

2.12 Impairment of non-financial assets

Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Each vehicle in the fleet of the Company is considered as a cash generating unit and accordingly, impairment is calculated in line with the requirements of IAS 36 "Impairment of Assets".

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)

2.13 Deferred income taxes

Deferred income tax is provided in full, using the liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized, or the deferred income tax liability is settled (Note 19).

Deferred income tax liabilities are recognized for all taxable temporary differences, whereas deferred income tax assets are recognized to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred income tax assets and deferred income tax liabilities related to income taxes levied by the same taxation authority are offset accordingly.

2.14 Employment termination benefits

Employment termination benefits represent the present value of the estimated total provision of the future probable obligation of the Company arising from the retirement of the employees calculated in accordance with the Turkish Labor Law (Note 20).

2.15 Foreign currency transactions and translation

Transactions in foreign currencies during the year have been recorded at the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies have been translated at the exchange rates prevailing at period-end. Exchange gains or losses arising on the settlement and translation of foreign currency items have been included in the statements of income.

2.16 Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue when it transfers control of a product or service to a customer.

In accordance with IFRS 15 Customer Contract Revenue Standard, effective from 1 January 2018, the Company recognizes revenue in the consolidated financial statements in the five-step model below:

- Step 1: Identify the contracts with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.16 Revenue recognition (Continued)

The Company recognizes revenue from the sale of inspection, verification, testing and certification services.

Firstly, the Company identifies each performance to know if the performances are distinct or not.

At contract inception, The Company assesses the services promised in a contract with a customer and identify as a performance obligation each promise to transfer to the customer and assess if this is a service that is distinct or series of distinct services that are substantially the same and that have the same pattern of transfer to the customer. The performance obligations identified in a contract with a customer may not be limited to the services that are explicitly stated in that contract. For each distinct performance obligation previously identified and assessed, the Company determine at contract inception whether it satisfies the performance obligation over time or at a point in time.

To determine the customer obtains control of a promised asset or service, the Company considers whether;

- the customer has an unconditional obligation to pay,
- the customer has legal title,
- the customer has physical possession,
- the customer has the risks and rewards of ownership of the good, and
- the customer has accepted the asset.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Leases:

The Company has applied IFRS 16 using the cumulative catch-up approach and therefore comparative information has not been restated and is presented under IAS 17. The details of accounting policies under both IAS 17 and IFRS 16 are presented separately below. This accounting policies are explained under Note 2.3.

**NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS
AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**

2.17 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, and 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.

2.18 Share capital and dividends

Ordinary shares are classified as equity. Pro-rata capital increases to existing shareholders are accounted for at par value as approved. Dividends on ordinary shares are recognized in equity in the year in which they are declared.

2.19 Offsetting

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

2.20 Subsequent events

The Company adjusts the amounts recognized in its consolidated financial statements to reflect the adjusting events after the balance sheet date. If non-adjusting events after the balance sheet date have material influence on the economic decisions of users of the consolidated financial statements, they are disclosed in the notes to the consolidated financial statements.

2.21 Statement of cash flows

The Company prepares statements of cash flow as an integral part of its consolidated financial statements to enable consolidated financial statement analysis about the change in its net assets, financial structure, and the ability to direct cash flow amounts and timing according to the developing conditions. Cash flows include those from operating activities, working capital, investing activities and financing activities.

Cash flows from operating activities represent the cash flows generated from the Company's activities.

Cash flows related to investing activities represent the cash flows that are used in or provided from the investing activities of the Company.

Cash flows arising from financing activities represent the cash proceeds from the financing activities of the Company and the repayments of these funds.

NOTE 2 - BASIS OF PRESENTATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (Continued)**2.3 Critical accounting estimates and judgments in applying accounting policies (Continued)***Brand concentration*

Brand concentration of Company's leased vehicles under operational leasing is as follows:

Brand	31 December 2022	31 December 2021
Renault	20.40%	24.10%
Hyundai	14.80%	9.90%
Toyota	13.90%	14.70%
Volkswagen	12.30%	13.10%
Fiat	10.70%	9.70%
Ford	4.20%	4.60%
Peugeot	3.50%	3.60%
Skoda	2.90%	3.80%
Citroen	2.50%	2.20%
Audi	2.30%	2.90%
Other	12.50%	11.40%
Total	100%	100%

2.4 Comparatives and adjustment of prior periods' financial statements**Changes in Accounting Policies**

Significant changes in accounting policies are applied retrospectively and prior period financial statements are restated. The Company's significant accounting policies that are used for the preparation of consolidated financial statements for the year ended 31 December 2022 are consistent with accounting policies presented in the year-end consolidated financial statements as of 31 December 2021 a part from the application of IAS 29 Financial Reporting in Hyperinflationary Economies is summarized as above.

Changes and Errors in the Accounting Estimate

Accounting estimates are made based on reliable information and reasonable estimation methods. However, if there are changes in the conditions related to the estimation, new information is obtained, or circumstances change, the estimations are reviewed. If the changes in accounting estimates only apply to one period, then they are applied in the current period when the change occurred; if the changes also apply to future periods, they are applied in both the period when the change occurred and in the future periods. These changes are also reflected in the financial tables when determining the period profit or loss.

The nature and amount of a change in the accounting estimate which is expected to have an effect on the activity results of the current period or future periods are shown in the notes of the consolidated financial statement, except in situations where the effect on future periods cannot be estimated. There are no significant changes in the accounting policies for the year ended 31 December 2022.

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022**

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 3 - FINANCIAL RISK MANAGEMENT**a) Currency risk**

Foreign currency denominated assets and liabilities give rise to foreign currency exposure. Since the Company's functional currency is Turkish Lira, the Company is exposed to foreign currency risk because some of the lease receivables and financial liabilities denominated in currencies other than TRY. The Company's policy is to hedge all material foreign exchange risk associated with firm commitments in foreign currencies.

The table below summaries the Company's exposure to foreign currency exchange rate risk at 31 December 2022. Included in the table are the Company's assets and liabilities at carrying amounts in TRY, categorized by currency:

31 December 2022	TRY Equivalent of USD	TRY Equivalent of EUR	TRY	Total
Cash and due from banks	8,611,251	19,426,462	309,770,236	337,807,950
Trade receivables short-term	--	--	171,846,961	171,846,961
Inventories	--	--	38,852,718	38,852,718
Firm commitment hedge (short term)	--	148,824	--	148,824
Other current assets	--	--	99,218,233	99,218,233
Other non-current assets	--	--	15,085,000	15,085,000
Total assets (*)	8,611,251	19,575,286	634,773,148	662,959,686
Borrowings (short term)	--	5,548,884	1,785,129,212	1,790,678,096
Trade payables	--	--	240,957,406	240,957,406
Lease liabilities (short term)	--	--	2,116,247	2,116,247
Other current liabilities	--	--	118,538,350	118,538,350
Borrowings (long term)	--	7,779,793	898,386,302	906,166,095
Deferred tax liability	--	--	880,445,430	880,445,430
Lease liabilities (Long term)	--	--	1,633,011	1,633,011
Reserve for employment termination benefits	--	--	1,146,227	1,146,227
Total liabilities (*)	--	13,328,677	3,928,352,185	3,941,680,862
Future minimum lease receivables under non cancellable operating leases not recognised at balance sheet (excluding VAT) (Note 5)	--	25,972	1,568,856,675	1,568,882,647
Net currency position after future lease receivables & forwards	8,611,251	6,272,581	(1,724,722,362)	(1,709,838,530)

(*) Fair values of derivatives are excluded from the foreign currency position of the balance sheet and disclosed with notional amounts.

As of 31 December 2022; if the TRY had weakened/strengthened by 20% against USD and EUR with all other variables held constant net income for the period would have been lower/higher by TRY 2,976,767 as a result of foreign exchange (gains)/loses of funds borrowed and lease obligations and cash and cash equivalents after taking into consideration the related fair value changes in the hedged item.

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022**

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)**a) Currency risk (Continued)**

At 31 December 2022, assets and liabilities denominated in foreign currency were translated into Turkish lira using foreign exchange rates of TRY 18.6966 = USD 1 and TRY 19.8816 = EUR 1.

The table below summarizes the Company's exposure to foreign currency exchange rate risk at 31 December 2021 in TRY. Included in the table are the Company's assets and liabilities at carrying amounts, categorized by currency:

31 December 2021	TRY Equivalent of USD (**)	TRY Equivalent of EUR (**)	TRY (**)	Total
Cash and due from banks	28,159,515	52,921,317	51,011,616	132,092,448
Trade receivables short-term	--	--	142,623,951	142,623,951
Inventories	--	--	43,085,488	43,085,488
Firm commitment hedge (short term)	--	4,380,507	--	4,380,507
Other current assets	--	--	60,310,689	60,310,689
Total assets (*)	28,159,515	57,301,824	297,031,744	382,493,083
Borrowings (short term)	--	24,210,802	1,470,617,465	1,494,828,267
Trade payables	--	--	387,328,649	387,328,649
Lease liabilities (short term)	--	--	29,593,603	29,593,603
Other current liabilities	--	--	159,901,278	159,901,278
Borrowings (long term)	--	16,218,517	1,580,942,626	1,597,161,143
Deferred tax liability	--	--	672,415,700	672,415,700
Lease liabilities (Long term)	--	--	5,910,529	5,910,529
Reserve for employment termination benefits	--	--	1,722,413	1,722,413
Total liabilities (*)	--	40,429,319	4,308,432,263	4,348,861,582
Future minimum lease receivables under non cancellable operating leases not recognised at balance sheet (excluding VAT) (Note 5)	--	2,563,110	1,806,389,749	1,808,952,859
Derivatives	--	(1,572,658)	--	(1,572,658)
Net currency position after future lease receivables & forwards	28,159,515	17,862,957	(2,205,010,770)	(2,158,988,298)

(*) Fair values of derivatives are excluded from the foreign currency position of the balance sheet and disclosed with notional amounts.

(**) Restated with the current purchasing power of functional currency

As of 31 December 2021; if the TRY had weakened/strengthened by 20% against USD and EUR with all other variables held constant net income for the period would have been lower/higher by TRY 9,204,494 as a result of foreign exchange (losses)/gains of funds borrowed and lease obligations and cash and cash equivalents after taking into consideration the related fair value changes in the hedged item.

At 31 December 2021, assets and liabilities denominated in foreign currency were translated into Turkish lira using foreign exchange rates of TRY 12.9775 = USD 1 and TRY 14.6823 = EUR 1.

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022**

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)**b) Liquidity risk**

A major objective of the Company's asset and liability management is to ensure that sufficient liquidity is available to meet the Company's commitments to creditors and to satisfy the Company's own liquidity needs.

The table below analyses financial liabilities of the Company into relevant maturity groupings based on the remaining term at the balance sheet date to the contractual maturity dates:

31 December 2022	Demand and up to 3 months	3 to 12 months	1 to 5 years	No Maturity	Total
Cash and due from banks	301,925,636	--	--	35,882,313	337,807,950
Trade receivables	171,846,961	--	--	--	171,846,961
Inventories	38,852,718	--	--	--	38,852,718
Firm commitment hedge	148,824	--	--	--	148,824
Other current assets	99,218,233	--	--	--	99,218,233
Other non-current assets	--	--	--	15,085,000	15,085,000
Total assets (*)	611,992,373	--	--	50,967,313	662,959,686
Borrowings	479,613,594	1,325,810,144	891,420,453	--	2,696,844,191
Trade payables	240,957,406	--	--	--	240,957,406
Lease liabilities	1,091,818	1,842,216	815,224	--	3,749,258
Other current liabilities	118,538,350	--	--	--	118,538,350
Deferred tax liability	--	--	--	880,445,430	880,445,430
Reserve for employment termination benefits	--	--	--	1,146,227	1,146,227
Total liabilities (*)	840,201,168	1,327,652,360	892,235,677	881,591,657	3,941,680,862
Future minimum lease receivables under non cancellable operating leases not recognised at balance sheet (excluding VAT) (Note 5)	357,352,184	532,045,641	679,484,822	--	1,568,882,647
Net liquidity position after future lease receivables & forwards	129,143,391	(795,606,719)	(212,750,856)	(830,624,344)	(1,709,838,529)

(*) Fair values of derivatives are excluded from liquidity position of the balance sheet and disclosed with the net inflows and outflows.

The Company's net liquidity gap as at 31 December 2022 in up to 12 months categories are compensated with future operational lease rental receivables due in up to 12 months, under non-cancellable operating leases related with the fleet rental business.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

b) Liquidity risk (Continued)

31 December 2021	Demand and up to 3 months	3 to 12 months	1 to 5 years	No Maturity	Total
Cash and due from banks	39,884,659	--	--	92,207,789	132,092,447
Trade receivables	142,623,951	--	--	--	142,623,951
Inventories	43,085,488	--	--	--	43,085,488
Firm commitment hedge	2,744,830	1,635,677	--	--	4,380,507
Other current assets	60,310,689	--	--	--	60,310,689
Total assets (*)	288,649,617	1,635,677	--	92,207,789	382,493,082
Borrowings	390,769,366	1,104,058,899	1,597,161,144	--	3,091,989,410
Trade payables	387,328,649	--	--	--	387,328,649
Lease liabilities	3,925,176	25,668,427	5,910,529	--	35,504,132
Other current liabilities	67,445,905	92,455,373	--	--	159,901,278
Deferred tax liability	--	--	--	672,415,700	672,415,700
Reserve for employment termination benefits	--	--	--	1,722,413	1,722,413
Total liabilities (*)	849,469,095	1,222,182,699	1,603,071,673	674,138,113	4,348,861,581
Future minimum lease receivables under non cancellable operating leases not recognised at balance sheet (excluding VAT) (Note 5)	258,469,620	651,780,521	898,702,719	--	1,808,952,860
Foreign currency transactions, net	(526,127)	(1,046,530)	--	--	(1,572,658)
Net currency position after future lease receivables & forwards	(302,875,987)	(569,813,033)	(704,368,955)	(581,930,324)	(2,158,988,298)

(*) Fair values of derivatives are excluded from liquidity position of the balance sheet and disclosed with the net inflows and outflows.

The table below analyses financial liabilities of the Company into relevant maturity groupings based on the remaining term at the balance sheet date to the contractual maturity dates with undiscounted cash flows. The amounts disclosed in the table are the contractual undiscounted cash flows:

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022**

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)**b) Liquidity risk (Continued)**

31 December 2022	Book Value	Contractual Cash Flows			Total
		Demand and up to 3 months	3 to 12 months	1 to 5 years	
Borrowings	2,696,844,191	607,343,250	1,748,664,669	1,134,349,841	3,490,357,760
Trade payables	240,957,406	240,957,404	--	--	240,957,404
Lease liabilities	3,749,258	1,091,818	3,275,454	815,224	5,182,496
Total liabilities	2,941,550,855	849,392,472	1,751,940,123	1,135,165,065	3,736,497,660

31 December 2021	Book Value	Contractual Cash Flows			Total
		Demand and up to 3 months	3 to 12 months	1 to 5 years	
Borrowings	1,882,265,165	515,569,555	1,455,136,914	1,917,269,861	3,887,976,330
Trade payables	168,646,532	168,646,532	--	--	168,646,532
Lease liabilities	21,613,330	4,404,211	26,016,765	8,513,264	38,934,241
Total liabilities	2,072,525,027	688,620,298	1,481,153,679	1,925,783,125	4,095,557,103

c) Fair value of financial instruments

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation, and is best evidenced by a quoted market price, should one exist. The Company has estimated fair values of financial instruments by using available market information and appropriate valuation methodologies. However, judgment is necessarily required to interpret market data to estimate the fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Company could realize in a current market exchange.

The following methods and assumptions were used to estimate the fair value of the financial instruments for which it is practicable to estimate fair value:

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)

c) Fair value of financial instruments (Continued)

Financial assets

The fair values of balances denominated in foreign currencies, which are translated at period-end exchange rates, are considered to approximate carrying values.

The fair values of certain financial assets carried at cost, including cash and amounts due from banks are considered to approximate their respective carrying values due to their short-term nature and negligible credit losses.

The carrying values of trade receivables along with the related allowances for collection are estimated to be their fair values.

Financial liabilities

The fair values of long-term financial liabilities are determined by discounting contractual cash flows with current market interest rate.

The carrying values of trade payables along with the related allowances for collections are estimated to approximate their fair values.

	31 December 2022		31 December 2021	
	Carrying value	Fair value	Carrying value	Fair value
Financial liabilities:				
Borrowings	2,696,844,191	2,950,452,196	3,091,989,410	3,757,144,354

Fair value hierarchy

Recurring fair value measurements at 31 December 2022:

	Level 1	Level 2	Level 3
Private sector bills and shares (Note 10)	--	--	7,013,795
,Derivative financial instruments, net subject to cash flow hedge accounting (Note 9)	--	2,448,021	--
Assets held for lease, (Note 12)	--	--	6,123,210,783

Recurring fair value measurements at 31 December 2021:

	Level 1	Level 2	Level 3
Private sector bills and shares (Note 10)	--	--	9,310,714
Derivative financial instruments, net subject to cash flow hedge accounting (Note 9)	--	37,034,783	--
Assets held for lease (Note 12)	--	--	5,560,048,076

NOTE 3 - FINANCIAL RISK MANAGEMENT (Continued)**c) Fair value of financial instruments (Continued)****Fair value hierarchy (Continued)**

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. The Company's policy is to recognize transfers into and out of fair value hierarchy levels as at the end of the reporting period.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the company is the current bid price. These instruments are included in level 1

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

d) Capital risk management

The Company's objective when managing capital is to maintain a strong capital base to support the development of its business through monitoring the equity to total assets ratio and to comply with the equity related covenants of financial liabilities. The Company monitors capital on the basis of the equity/net asset ratio. This ratio is calculated as equity divided by total assets after deduction of cash and cash equivalents. The equity / assets ratio at 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Total assets	6,810,967,292	6,084,311,700
Less: Cash and cash equivalents (Note 4)	(324,885,786)	(112,962,680)
Total assets without cash and cash equivalents	6,486,081,506	5,971,349,020
Total equity	2,866,325,001	1,734,314,456
Equity/assets	44%	29%

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022**

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 4 – CASH AND CASH EQUIVALENTS

	31 December 2022	31 December 2021
Time deposits in banks	301,925,636	39,884,659
Demand deposits in banks	35,882,314	92,207,789
	337,807,950	132,092,448

At 31 December 2022, demand deposits in banks amounting to TRY 12,922,164 are blocked in connection with funds borrowed from banks (31 December 2021: TRY 19,129,769).

Cash and cash equivalents included in the statements of cash flows for the 31 December 2022 and year ended 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Deposits in banks (excluding blocked deposits)	324,885,786	112,962,680
	324,885,786	112,962,680

NOTE 5 - TRADE RECEIVABLES

	31 December 2022	31 December 2021
Trade receivables	158,628,104	121,700,057
Doubtful receivables	56,917,883	100,296,272
Less: Provision for impaired receivables	(43,699,026)	(79,372,378)
	171,846,961	142,623,951

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022**

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 5 - TRADE RECEIVABLES (Continued)

Guarantee letters held in support of trade receivables are as follows:

	31 December 2022	31 December 2021
Guarantee letters	476,000	1,297,756
Total	476,000	1,297,756

Aging of past due receivables which are not impaired as of 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Up to 3 months	16,951,398	12,258,374
3-6 months	411,365	503,828
More than 6 months	266,301	749,086
	17,629,064	13,511,288

Past due but not impaired receivables consist of lease receivables from customers who had payment extensions.

Movement in provision for impairment in trade receivables is as follows:

	31 December 2022	31 December 2021
Balance at 1 January	79,372,378	73,674,337
Amounts recoveries during the period	(14,254,120)	(16,765,248)
Impairment expense during the period	8,381,919	40,962,992
Monetary gain/loss (-)	(31,054,017)	(19,534,237)
IFRS 9 expected credit loss provisions	1,252,866	1,034,534
Balance at the period end	43,699,026	79,372,378

The main business activity of the Company is operating lease of vehicles. The future lease payments receivable under non-cancellable operating leases (excluding VAT) related with the lease receivables is as follows:

31 December 2022	EUR	USD	TRY	Total
Within one year	25,972	--	889,371,852	889,397,824
1-2 years	--	--	432,751,208	432,751,208
2-3 years	--	--	208,569,047	208,569,047
More than 3 years	--	--	38,164,568	38,164,568
	25,972	--	1,568,856,675	1,568,882,647

At 31 December 2022, trade receivables denominated in foreign currency were translated into Turkish Lira using foreign exchange rates of TRY 18.6966 = USD 1 and TRY 19.8816 = EUR 1.

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022**

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 5 - TRADE RECEIVABLES (Continued)

31 December 2021	EUR (*)	TRY	Total
Within one year	2,563,110	907,687,031	910,250,141
1-2 years	--	585,529,144	585,529,144
2-3 years	--	242,674,328	242,674,328
More than 3 years	--	70,499,247	70,499,247
	2,563,110	1,806,389,750	1,808,952,860

(*) Restated with the current purchasing power of functional currency

At 31 December 2021, trade receivables denominated in foreign currency were translated into Turkish Lira using foreign exchange rates of TRY 12.9775 = USD 1 and TRY 14.6823 = EUR 1.

NOTE 6 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The balances and transactions with related parties can be seen as follows:

a) Balances with related parties

	31 December 2022			
	Receivables			
	Short term		Long term	
	Trade		Trade	
Balances with related parties	receivables	Other	receivables	Other
Affiliates				
Tiktak Yeni Nesil Ulaşım Çözümleri ve Araç Kiralama Anonim Şirketi	115,515,929	--	--	--
Total	115,515,929	--	--	--

	31 December 2021			
	Receivables			
	Short term		Long term	
	Trade		Trade	
Balances with related parties	receivables	Other	receivables	Other
Shareholders				
Önder Erdem	--	1,345,281	--	--
Ersan Öztürk	--	1,345,281	--	--
TCAR S.A.R.L.	--	376,179	--	--
Affiliates				
Tiktak Yeni Nesil Ulaşım Çözümleri ve Araç Kiralama Anonim Şirketi	59,282,456	--	--	--
Total	59,282,456	3,066,741	--	--

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022**

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 6 - BALANCES AND TRANSACTIONS WITH RELATED PARTIES (Continued)

	1 January - 31 December 2022			
	Lease revenue	Charge back income	Charge back expense	Car sharing charge back
Transactions with related parties				
Affiliates				
Tiktak Yeni Nesil Ulaşım Çözümleri ve Araç Kiralama Anonim Şirketi	183,623,653	141,224,218	(3,227,996)	(46,220,741)

	1 January - 31 December 2021			
	Lease revenue	Charge back income	Charge back expense	Car sharing charge back
Transactions with related parties				
Affiliates				
Tiktak Yeni Nesil Ulaşım Çözümleri ve Araç Kiralama Anonim Şirketi	50,878,656	84,559,023	(80,777,748)	--

The remuneration of key management personnel is follows:

	31 December 2022	31 December 2021
Remuneration of key management personnel and directors	102,555,551	20,849,106
Total	102,555,551	20,849,106

NOTE 7 – INVENTORIES

	31 December 2022	31 December 2021
Inventories	38,852,718	43,085,488
Total	38,852,718	43,085,488

Motor vehicles returned at the end of contracted lease terms and held for sale have been classified from "assets used in operational leases" to inventories (Note 12). Net realizable value is a metric that is used in the lower cost or market method of accounting reporting. There is no net realizable value decrease as of 31 December 2022 (31 December 2021: None).

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022**

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 8 – FAIR VALUE HEDGES / FIRM COMMITMENT HEDGE

	31 December 2022	31 December 2021
Short-term firm commitment hedge - assets	148,824	4,380,507
Total	148,824	4,380,507

The Company is exposed to foreign exchange risk because of its lease receivables is denominated in currencies other than TRY. The Company's policy is to hedge all material foreign exchange risk associated with firm commitments in foreign currency.

In order to comply with the Company's foreign exchange risk management strategy, the foreign exchange risk arising from the future foreign currency denominated lease receivables is hedged with foreign currency borrowings.

The above balances represent the cumulative change in the fair value of the firm commitments to collect foreign currency denominated lease receivables against providing operating lease service attributable to the foreign currency risk subsequent to the fair value hedge relationship designation. The short or long-term classification is based on the contractual payment dates of the related cash inflows.

NOTE 9 – DERIVATIVE FINANCIAL INSTRUMENTS**a) Derivatives held for trading**

	31 December 2022		31 December 2021	
Liabilities	Notional Amount	Fair Value	Notional Amount	Fair Value
Cross currency swaps	--	--	4,359,285	1,135,662
Forward	84,273,598	2,961,429	--	--
Total		2,961,429		1,135,662

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022**

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 9 – DERIVATIVE FINANCIAL INSTRUMENTS (Continued)**b) Derivatives held for cash flow hedges**

Assets	31 December 2022		31 December 2021	
	Notional Amount	Fair Value	Notional Amount	Fair Value
Interest rate swaps	276,997,128	2,448,021	553,536,114	37,034,783
Total		2,448,021		37,034,783

The Company has started to apply hedge accounting under IFRS 9 for the floating rate TRY borrowings according to its financial risk management strategies. These borrowings have been designated as hedged item and corresponding (floating to fixed) interest rate swaps have been designated as hedging instrument. Critical terms of the hedged items and hedging instruments perfectly match with each other. Hence, no ineffectiveness has been recognized. Effective portion is recognized under OCI (as cash flow hedge reserve). The effective portion will be recycled from OCI to PL when the interest payments on borrowings take place. Total cash flow hedge reserve recognized under OCI (net of tax) as of 31 December 2022 is 880,727 (31 December 2021: 29,627,826).

NOTE 10 - OTHER CURRENT ASSETS, NON-CURRENT ASSETS

Other current assets	31 December 2022	31 December 2021
Prepaid expenses	59,686,651	32,161,650
VAT and other prepaid taxes	18,005,008	9,142,041
Advances given to and rebate receivables from service providers	9,774,488	1,928,473
Share investments	4,564,539	7,257,344
Income accruals	4,442,391	77,584
Private sector bills	2,449,255	2,053,370
Receivables from related parties (*)	--	3,066,741
Other	295,901	4,623,486
	99,218,233	60,310,689

(*) Disclosed in Note 6.

Other non-current assets	31 December 2022	31 December 2021
Advances paid for acquisition of share	15,085,000	--
	15,085,000	--

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022**

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 11 – INVESTMENTS ACCOUNTED FOR USING THE EQUITY METHOD

Hedef Filo owns 33.35% of Tiktak Yeni Nesil Ulaşım Çözümleri ve Araç Kiralama Anonim Şirketi shares. Details of investments of associates for the 31 December 2022 and 31 December 2021 are as follows:

	31 December 2022	31 December 2021
Current assets	91,562,457	168,163,427
Non-current assets	233,497,351	162,081,818
Total assets	325,059,808	330,245,245
Short-term borrowings	(216,093,965)	(224,620,906)
Long-term borrowings	(201,919,263)	(25,226,884)
Share capital	(65,595)	(131,364)
Stock issue premiums	(26,970,405)	(54,012,261)
Revaluation Reserve	(13,109,550)	--
Net profit/(loss) for the period	133,098,970	(26,253,830)
Total liabilities	(325,059,808)	(330,245,245)
Net profit/(loss) for the period	(133,098,970)	26,253,830
Company's share in the affiliate	33,35%	33,35%
Share from affiliate profit	(41,784,044)	8,392,126
Fair value of affiliate, opening	41,784,044	33,391,918
Fair value of affiliate, closing	--	41,784,044
Total balance of the Company	--	41,784,044

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022**

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 12 - ASSETS USED IN OPERATIONAL LEASES

Cost	31 December 2022	31 December 2021
Opening amount	5,659,374,920	3,622,819,042
Additions	2,149,317,344	3,235,666,130
Revaluation of lease asset	232,378,204	720,891,380
Impairment reversal of lease assets	394,039	766,052
Disposals	(1,797,277,628)	(1,920,767,682)
Total cost	6,244,186,879	5,659,374,920
Accumulated depreciation		
Opening amount	(56,241,355)	(85,259,663)
Additions (Note 23)	(62,107,709)	(20,632,981)
Disposals	36,225,686	49,651,289
Total accumulated depreciation	(82,123,378)	(56,241,355)
Net book value of assets used in operational lease - subject to lease contract	6,162,063,501	5,603,133,565
Transfers to inventories (Note 7)	(38,852,718)	(43,085,488)
Net book value of assets used in operational lease	6,123,210,783	5,560,048,077

Transfers to inventories are related to vehicles returned from rental and transferred to inventories in order to sold. For the period ended 31 December 2022 and 31 December 2021, total depreciation charge has been reflected to cost of revenue (Note 23).

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022**

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 13 – RIGHT-OF-USE ASSET

Right of use asset is consists of long-term lease liabilities of the Company from office leases and short-term vehicle leases as a lessee. Upon lease commencement the Company recognizes a lease liability and right of use asset. The right-of-use asset is initially measured at the amount of the lease liability plus any initial direct costs incurred by the lessee. Under the cost model a right-of-use asset is measured at cost less accumulated depreciation and accumulated impairment.

31 December 2022	Opening	Additions	Disposals	Monetary gain/loss	Closing
Cost					
Buildings	18,788,079	--	--	(7,350,735)	11,437,344
Motor Vehicles	22,294,071	--	(22,294,071)	--	--
Total cost	41,082,150	--	(22,294,071)	(7,350,735)	11,437,344

Accumulated depreciation

Buildings	(9,606,954)	(2,095,898)	--	2,710,722	(8,992,130)
Total accumulated depreciation	(9,606,954)	(2,095,898)	--	2,710,722	(8,992,130)

Net book value	31,475,196	(2,095,898)	(22,294,071)	(4,640,013)	2,445,214
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31 December 2021	Opening	Additions	Disposals	Monetary gain/loss	Closing
Cost					
Buildings	25,566,987	--	--	(6,778,908)	18,788,079
Motor Vehicles	--	24,015,529	--	(1,721,458)	22,294,071
Total cost	25,566,987	24,015,529	--	(8,500,366)	41,082,150

Accumulated depreciation

Buildings	(10,730,649)	(3,442,922)	--	4,566,617	(9,606,954)
Total accumulated depreciation	(10,730,649)	(3,442,922)	--	4,566,617	(9,606,954)

Net book value	14,836,338	20,572,607	--	(3,933,749)	31,475,196
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For the period ended 31 December 2022 and 2021 depreciation charge has been presented under general administrative expenses (Note 24).

Lease Liabilities

	31 December 2022	31 December 2021
Current	2,116,247	29,593,603
Non-current	1,633,011	5,910,529
Total lease liability	3,749,258	35,504,132

Leased assets and liabilities disclosed above, include only assets and liabilities related to operating lease agreements for the office buildings and short-term vehicle lease agreements used for the Company's operations. Finance lease liabilities are disclosed under borrowings.

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022**

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 14 - PROPERTY AND EQUIPMENT

31 December 2022	Opening	Additions	Disposals	Closing
Cost				
Furniture and fixtures	43,500,686	663,529	(60,148)	44,104,067
Leasehold improvements	15,839,282	--	--	15,839,282
Total cost	59,339,968	663,529	(60,148)	59,943,349
Accumulated depreciation				
Furniture and fixtures	(25,198,772)	(6,030,012)	47,620	(31,181,164)
Leasehold improvements	(11,623,822)	(1,723,408)	--	(13,347,230)
Total accumulated depreciation	(36,822,594)	(7,753,420)	47,620	(44,528,394)
Net book value	22,517,374	(7,089,891)	(12,528)	15,414,955
31 December 2021	Opening	Additions	Disposals	Closing
Cost				
Furniture and fixtures	35,699,292	16,124,623	(8,323,229)	43,500,686
Leasehold improvements	15,839,282	--	--	15,839,282
Total cost	51,538,574	16,124,623	(8,323,229)	59,339,968
Accumulated depreciation				
Furniture and fixtures	(20,186,824)	(6,059,375)	1,047,427	(25,198,772)
Leasehold improvements	(9,892,574)	(1,731,248)	--	(11,623,822)
Total accumulated depreciation	(30,079,398)	(7,790,623)	1,047,427	(36,822,594)
Net book value	21,459,176	8,334,000	(7,275,802)	22,517,374

For the period ended 31 December 2022 and 2021 depreciation charge has been presented under general administrative expenses (Note 24).

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022**

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 15 - INTANGIBLE ASSETS**Intangible Assets**

31 December 2022	Opening	Additions	Closing
Cost			
Software programmes	82,425,585	1,003,479	83,429,064
Total cost	82,425,585	1,003,479	83,429,064
Accumulated depreciation			
Software programmes	(73,466,442)	(5,473,989)	(78,940,431)
Total accumulated depreciation	(73,466,442)	(5,473,989)	(78,940,431)
Net book value	8,959,143	(4,470,510)	4,488,633

31 December 2021	Opening	Additions	Disposals	Closing
Cost				
Software programmes	83,750,707	6,337,556	(7,662,678)	82,425,585
Total cost	83,750,707	6,337,556	(7,662,678)	82,425,585
Accumulated depreciation				
Software programmes	(65,522,697)	(10,653,338)	2,709,593	(73,466,442)
Total accumulated depreciation	(65,522,697)	(10,653,338)	2,709,593	(73,466,442)
Net book value	18,228,010			8,959,143

For the period ended 31 December 2022 and 2021, total amortization charge has been booked under general administrative expenses (Note 24).

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022**

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 16 - BORROWINGS**a) Funds borrowed - short-term**

	31 December 2022		Weighted average interest rate
	Original currency	TRY	
Borrowings in EUR	1,134	22,541	2.64%
Borrowings in TRY	163,695,870	163,695,870	23.61%
Current maturities of long-term bank borrowings:			
Borrowings in EUR (-)	277,963	5,526,344	2.64%
Borrowings in TRY (-)	1,621,433,341	1,621,433,341	32.62%
		1,790,678,096	
31 December 2021			
	Original currency	TRY (*)	Weighted average interest rate
Borrowings in EUR	5,439	79,855	4.14%
Borrowings in TRY	50,594,964	50,594,964	21.02%
Current maturities of long-term bank borrowings:			
Borrowings in EUR (-)	1,643,540	24,130,946	4.85%
Borrowings in TRY (-)	1,420,022,502	1,420,022,502	21.65%
		1,494,828,267	

(*) Restated with the current purchasing power of functional currency.

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022**

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 16 – BORROWINGS (Continued)**b) Funds borrowed - long-term**

	31 December 2022		Weighted average interest rate
	Original currency	TRY	
Borrowings in EUR	669,269	7,779,793	2.64%
Borrowings in TRY	898,386,302	898,386,302	31.46%
		906,166,095	

	31 December 2021		Weighted average interest rate
	Original currency	TRY (*)	
Borrowings in EUR	1,104,631	16,218,517	3.97%
Borrowings in TRY	1,580,942,626	1,580,942,626	20.98%
		1,597,161,143	

*Restated with the current purchasing power of functional currency.

The redemption schedules of the long-term funds borrowed at 31 December 2022 and 31 December 2021 and are as follows:

	31 December 2022	31 December 2021
13-24 Months	629,551,173	1,011,986,409
25-36 Months	213,017,016	512,357,395
37-48 Months	63,597,906	72,349,492
49 Months and above	--	467,847
	906,166,095	1,597,161,143

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022**

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 17 - TRADE PAYABLES

	31 December 2022	31 December 2021
Vehicle and service providers	208,125,367	317,496,609
Insurance suppliers	32,832,039	69,832,040
	240,957,406	387,328,649

Trade payables mainly consist of payables related with motor vehicle purchases, repair and maintenance expense payables and insurance premium payables. As of 31 December 2022, maturity of trade payables is 45 days (31 December 2021: 45 days).

NOTE 18 - OTHER CURRENT LIABILITIES

	31 December 2022	31 December 2021
Unearned revenues	52,533,437	46,157,444
Advances received	20,365,618	42,725,515
Deposits and guarantees received	17,440,218	33,045,463
Provision for personnel bonuses	12,074,310	15,726,774
Provision for litigation	4,089,932	4,953,201
Social security premiums payable	3,295,701	1,520,663
Taxes and funds payable	2,565,960	2,162,440
Provision for unused vacation	2,205,354	2,307,683
Provision for operating expenses	139,599	7,180,960
Other	3,828,221	4,121,134
	118,538,350	159,901,278

NOTE 19 - TAXES ON INCOME

The Corporate Tax Law was amended by Law No.5520 dated 13 June 2006. Most of the articles of the new Corporate Tax Law in question, No.5520, have come into force effective from 1 January 2006. Corporation tax is payable at a rate of 23% (2021: 25%) on the total income of the Company after adjusting for certain disallowable expenses, exempt income and investment and other allowances (e.g. research and development allowance). No further tax is payable unless the profit is distributed (except for withholding tax at the rate of 19.8%, calculated on an exemption amount if an investment allowance is granted in the scope of Income Tax Law temporary article 61). The Law regarding amendments on Certain Tax Laws was approved in the Parliament on 28 November 2017 and the Law was published in the Official Gazette on 5 December 2017. Accordingly, the corporate income tax rate for all companies will be increased from 22% to 23% for the year 2022. Therefore, deferred tax assets and liabilities shall be measured at the tax rate of 23% that are expected to apply to these periods when the assets are realized or the liability is settled, based on the Law that have been enacted. For the periods 2022 and after, the reversals of temporary differences will be measured by 20%. Since the accounts subject to deferred tax will be realized in the long term, the deferred tax rate has been used as 20% by the company.

Turkish tax legislation imposes 15% withholding tax on dividend distributions from Turkish companies to non-resident companies and individuals. However, the dividend withholding tax rate may be reduced to 10% based on double tax treaty signed between Turkey and Luxembourg. Under Luxembourg tax treaty, the dividend withholding tax rate reduces to 10% for shareholders who hold a more than 25% stake in the Company.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 19 - TAXES ON INCOME (Continued)

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

There is no such application for the reconciliation of payable taxes with the tax authority. Corporate tax returns are submitted to the related tax office by the 25th day of the 4th month following the month when the accounting period. In tax reviews authorized bodies can review the accounting records for the past five years and if errors are detected, tax amounts may change due to tax assessment. According to Turkish tax legislation, financial losses on the returns can be offset against annual income for up to five years. However, financial losses cannot be offset against previous years' profits.

The investment renewal fund is an implementation that provides the advantage of tax deferral by deducting the profit resulting from the sale of depreciable economic assets from the depreciation of the same type of economic assets indicated by tax authorities.

Income tax recognized in profit or loss:

	1 January- 31 December 2022	1 January- 31 December 2021
Corporate tax expense	--	(7,220,475)
Deferred tax expense	(221,884,152)	(232,693,884)
Total tax expense	(221,884,152)	(239,914,359)

The reconciliation between the expected and the actual taxation charge is stated below:

	1 January- 31 December 2022	1 January- 31 December 2021
Profit / (Loss) before tax	1,196,340,359	1,464,187,486
Corporate tax rate	23%	25%
Calculated tax expense	(275,158,283)	(366,046,872)
- tax rate difference effect	67,298,159	72,247,650
- deductions	--	62,697,756
- disallowable expenses	(13,753,536)	(9,142,331)
-other	(270.492)	329,438
Total tax expense	(221,884,152)	(239,914,359)

Deferred taxes

Deferred tax asset and liability represents the tax effect of temporary differences arising due to the different treatment of certain items of income and expenses included in the consolidated financial statements compared to the local tax return, in accordance with the applicable tax law.

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022**

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 19 - TAXES ON INCOME (Continued)**Deferred taxes (Continued)**

The breakdown of deductible and taxable temporary differences, and resulting deferred income tax assets/(liabilities) which are provided, using the enacted tax rate 23% at 31 December 2022 and 25%, at 31 December 2021 are as follows:

	1 January- 31 December 2022	1 January- 31 December 2021
Carrying value difference of leased assets	(452,338,567)	(372,991,782)
Investment renewal fund (*)	(269,698,311)	(145,187,282)
Revaluation of leased assets	(130,323,856)	(144,178,276)
Carrying value difference of other assets	(26,635,860)	(1,260,000)
Personnel bonus accruals	2,414,862	3,145,355
Carrying value of fixed assets	(2,283,880)	(2,800,486)
Righ of use asset -IFRS 16	(489,043)	(6,295,039)
Unusued vacation accruals	441,071	461,537
Employment termination benefits	229,245	344,483
Firm commitment hedge	(29,765)	(876,101)
Other	(1,731,327)	(2,778,108)
Deferred tax liabilities, net	(880,445,430)	(672,415,700)

(*) When economical assets subject to amortization are sold, the difference between the value received and the value shown in the inventory book shall be entered in the profit and loss Account. Provided however, should it be deemed necessary to replace the economical asset sold because of the nature of the business on decided and action taken in this direction by the managers of the undertaking, the profit obtained from the sale may be held for a maximum period of three years in a provisional account in the liabilities in order to meet the replacement costs the profits not used within this period for any reason whatsoever shall be added to the taxable amount of the third year. Should the undertaking be abandoned, transferred, or liquidated before three years, these profits shall be added to the taxable amount of that year.

The movement of the deferred income taxes can be analyzed as follows:

	31 December 2022	31 December 2021
Deferred tax assets	2,596,136	13,520,539
Deferred tax liabilities	(883,530,606)	(685,936,239)
Deferred tax liabilities, net	(880,445,430)	(672,415,700)
<u>Movement of deferred tax assets / (liabilities)</u>	<u>31 December 2022</u>	<u>31 December 2021</u>
1 January	(672,415,700)	(295,543,540)
Recognised under profit or loss	(221,884,152)	(232,693,884)
Recognised under other comprehensive income	13,854,422	(144,178,276)
Deferred tax liabilities, net	(880,445,430)	(672,415,700)

NOTE 20 - RESERVE FOR EMPLOYMENT TERMINATION 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, or who is called up for military service, dies or retires after completing 25 years of service (20 years for women) and achieves the retirement age (58 for women and 60 for men).

The amount payable consists of one month's salary limited to a maximum of TRY 15,371.40 for each year of service as of 31 December 2022 (31 December 2021: TRY 8,284.51).

The liability is not funded, as there is no funding requirement.

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

The following actuarial assumptions were used in the calculation of the total liability:

	31 December 2022	31 December 2021
Discount rate (%)	3.87%	3.48%
Turnover rate to estimate the probability of retirement (%)	84%	83%

The principal assumption is that the maximum liability 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. Since the liability cap for each year of service is adjusted once quarterly the maximum amount of TRY 15,371.40 which is effective from 1 July 2022 (1 July 2021: TRY 8,284.51) has been considered in the calculation.

Movements in the reserve for the employment termination benefits during the year are as follows:

	31 December 2022	31 December 2021
Balance at 1 January	1,722,413	1,088,201
Current service cost	227,242	224,036
Interest cost	223,170	244,167
Paid during the year	(770,551)	(1,155,309)
Monetary gain/loss	1,904,281	1,147,900
Remeasurement difference of post-employment benefit obligations	(2,160,328)	173,418
Balance at period-end	1,146,227	1,722,413

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 21 - SHARE CAPITAL

At 31 December 2022, the Company's authorized share capital consists of TRY 530,292,332 (31 December 2021: TRY 239,819,280) shares with a par value of TRY 1 each.

At 31 December 2022 and 31 December 2021, the shareholders of the Company and their percentage ownership are as follows:

	31 December 2022		31 December 2021	
Önder Erdem	140.833.796	50	--	--
Ersan Öztürk	140.833.796	50	--	--
Hdf Cars Araç Kiralama Hizmetleri A.Ş.	--	--	208.354.966	100
Historical share capital	281.667.592	100	208.354.966	100
Adjustment to share capital	248.624.740		31.464.314	
Total	530,292,332	100	239,819,280	100

As per the resolution of Board of the Directors dated 3 December 2021, the shares owned by Önder Erdem, (2,199,002 number of shares with a par value of TRY 1 each), and the shares owned by Ersan Öztürk, (2,199,002 number of shares with a par value of TRY 1 each), were transferred to HDF Cars Araç Kiralama Hizmetleri A.Ş. After the conclusion of the share transfers HDF Cars Araç Kiralama Hizmetleri A.Ş. became 100% owner of the shares. HDF Cars was established solely for the purpose of these share purchase transactions, and merged with Hedef Filo on 31 March 2022, with the decision of the board of directors No 3, dated 29 March 2022. With this merger, HDF Cars was transferred to Hedef Filo with all its assets and liabilities, and this transfer was registered with the announcement numbered 72843 in the Trade Registry Gazette, dated 5 April 2022 and numbered 10552. With this merger realized as of 31 March 2022, the share capital of Hedef Filo was increased from TRY 31,414,314⁽¹⁾ to TRY 248,624,740⁽²⁾, TRY 217,160,426⁽³⁾ of which was covered from revaluation reserve and TRY 50,000⁽⁴⁾ from HDF Cars' paid-in capital. After this merger and capital increase, shares of Önder Erdem and Ersan Öztürk in Hedef Filo became % 50 for both shareholders.

At 31 December 2022 restricted legal reserves from profit in the financial is 88,358 TRY (31 December 2021: TRY 88,358).

Adjustment to share capital represents the restatement effect of the cash contributions to share capital in 31 December 2022 equivalent current purchasing power of functional currency.

NOTE 22 - REVENUE

	1 January - 31 December 2022	1 January - 31 December 2021
Second-hand sales revenue	1,666,687,984	2,558,545,255
Lease revenue	1,013,239,451	1,306,962,120
Total	2,679,927,435	3,865,507,375

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022**

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 23 - COST OF REVENUE

Cost of revenue	1 January - 31 December 2022	1 January - 31 December 2021
Cost of vehicles sold	1,365,387,613	1,887,986,152
Repair and maintenance costs	80,238,850	80,394,465
Depreciation expense (Note 12)	62,107,709	20,632,981
Rent expense for relief vehicles	50,857,931	26,943,528
Motor vehicle taxes	44,680,246	69,373,968
Insurance costs	35,651,964	124,682,505
Tire expenses	19,605,995	22,532,316
Other	13,610,858	4,427,229
	1,672,141,166	2,236,973,144

NOTE 24 - GENERAL AND ADMINISTRATIVE EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
Personnel expenses	183,124,867	103,471,982
Communication and IT expenses	17,217,052	17,068,089
Depreciation and amortization expense (Notes 13,14,15)	15,323,307	21,886,883
Professional service and notary expenses	7,108,743	4,630,919
Transportation expenses	4,117,054	1,344,900
Office expenses	2,467,789	1,242,281
Fuel expenses	1,997,396	979,390
Stamp tax expenses	1,531,056	2,372,881
Cleaning expense	847,168	997,764
Stationery and archiving expenses	350,992	949,643
Cargo and postage expense	122,060	129,339
Other	6,156,619	4,461,272
	240,364,103	159,535,343

NOTE 25 - MARKETING AND SELLING EXPENSES

	1 January - 31 December 2022	1 January - 31 December 2021
Personnel expenses	26,042,949	24,060,929
Advertising expenses	9,949,836	27,656,080
Marketing expenses	3,887,490	3,428,408
	39,880,275	55,145,417

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022**

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 26 - OTHER INCOME AND EXPENSES

Other income	1 January - 31 December 2022	1 January - 31 December 2021
Income from sale of investments	19,292,904	--
Income from excess mileage usage	13,292,646	28,298,114
Provision income for trade receivables (Note 26)	2,860,658	--
Income from early terminations	2,653,555	4,509,660
Provision income for litigation accruals	863,269	--
Impairment reversal of leased assets (Note 12)	394,039	1,617,431
Other	6,107,492	975,784
	45,464,563	35,400,989

Other expenses	1 January - 31 December 2022	1 January - 31 December 2021
Provision expense for trade receivables (Note 26)	(10,808,241)	(25,232,278)
Reconciliation differences	(3,597,657)	(4,419,659)
Provision expense for litigation accruals	--	(2,912,285)
Other	(3,015,738)	(8,046,636)
	(17,421,636)	(40,610,858)

NOTE 27 - FINANCIAL INCOME AND EXPENSES

Interest income	1 January - 31 December 2022	1 January - 31 December 2021
Interest income on time deposits	22,417,442	20,196,325
Late payment interest income	3,717,548	29,321,508
Interest income from other receivables	--	22,878,964
	26,134,990	72,396,797

Interest expense	31 December 2022	31 December 2021
Interest expenses on bank loans	(581,391,985)	(599,152,054)
Interest income from other receivables	(37,186,339)	(22,754,913)
	(618,578,324)	(621,906,967)

HEDEF ARAÇ KİRALAMA VE SERVİS A.Ş.**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS AT 31 DECEMBER 2022**

(Amounts expressed in Turkish lira ("TRY"), unless otherwise indicated.)

NOTE 27 - FINANCIAL INCOME AND EXPENSES (Continued)

	31 December 2022	31 December 2021
Foreign exchange gain/(loss), net		
Fx gain loss from current accounts, net (**)	(5,220,138)	103,727,754
Unrealized foreign exchange gain/(loss) on borrowings	(12,293,412)	(16,316,406)
Realised fx gain from derivatives, net	--	1,634,184
Foreign exchange (loss)/gain on firm commitment hedge, net	(2,517,833)	(62,640,365)
Realized foreign exchange gain/(loss) on loan repayments	--	(58,176,132)
Foreign exchange gain from sales revenue (*)	4,013,365	66,825,450
Unrealised fx gain from derivatives, net	--	5,534,916
Foreign exchange (loss)/gain	(16,018,018)	40,589,401
Financial expenses, net	(608,461,352)	(508,920,769)

(*) The Company recognizes foreign exchange gains of the future lease receivables by applying fair value hedge accounting to its non-cancellable foreign exchange lease receivables (Note 8).

(**) Includes net fx gains from cash at banks and trade receivable/ payable accounts.

NOTE 28 - EARNINGS PER SHARE

	31 December 2022	31 December 2021
Net profit attributable to shareholders	974,456,207	1,224,273,127
Weighted average number of issued shares	530,292,332	530,292,332
(Loss)/earnings per share	1.838	2.309

NOTE 29 - COMMITMENTS AND CONTINGENT LIABILITIES

As of balance sheet date the Company has given guarantee letters to courts amounting to TRY 197,338 (31 December 2021: TRY 324,166), to suppliers amounting to TRY 24,360,000 (31 December 2021: TRY 10,677,524), to customers TRY 2,028,420 (31 December 2021: TRY 1,246,850).

Assets used in operational leases amounting to TRY 3,185,977,655 (31 December 2021: TRY 4,844,011,809) are pledged to the counterparty banks as collateral for the bank borrowings.

NOTE 30 - SUBSEQUENT EVENTS

Due to the adverse situation caused by the earthquakes that took place in Kahramanmaraş on February 6, 2023, affecting many of our provinces and shaking our whole country, the Official Gazette dated 8 February 2023 and numbered 32098. A state of emergency was declared for 3 months in Adana, Adıyaman, Diyarbakır, Gaziantep, Hatay, Kahramanmaraş, Kilis, Malatya, Osmaniye and Şanlıurfa provinces. The Company's operations in the earthquake zone were limited and were not adversely affected by the natural disaster.

NOTE 30 - SUBSEQUENT EVENTS (Continued)

The Law numbered 7438 on Social Security and General Health Insurance and the Law on the Amendment of the Decree Law numbered 375, which includes the regulation on the Retirement Age Victims (EYT), entered into force after being published in the Official Gazette No. 32121, dated 3 March 2023. This issue is considered as a non-adjusting event after the reporting period within the scope of IAS 10 Events After the Reporting Period. The impact on the operations and financial position of the Company are evaluated as immaterial.

In accordance with the "Law on Restructuring of Certain Receivables and Amendments to Certain Laws" published in the Official Gazette dated 12 March 2023 and numbered 32130, it is stipulated that a one-time additional tax at the rate of 10% is levied on the exemption and discount amounts deducted from the corporate income and the bases subject to discounted corporate tax, without being associated with the period earnings, by showing in the corporate tax return for 2022. Although this matter is considered as an event after the reporting period that does not require an adjustment within the scope of IAS 10 Events after the Reporting Period, the Company is still in the process of measuring the impact on its operations and financial position.