EASTPHARMA LTD.
AND ITS SUBSIDIARIES

Consolidated Financial Statements
For The Year Ended 31 December 2020
and The Independent Auditors’ Report

Building a better working world

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Independent auditor's report

To the Shareholders of Eastpharma Ltd.

Report on the audit of the consolidated financial statements

Opinion

We have audited the consolidated financial statements of Eastpharma Ltd. ("the Company") and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at December 31, 2020, 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 December 31, 2020, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRS").

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) together with the ethical requirements that are relevant to our audit of the financial statements in Turkey, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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.

- 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.

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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.

Güney Bağımsız Denetim ve Serbest Muhasebeci Mali Müşavirlik Anonim Şirketi
A member firm of Ernst & Young Global Limited

Necati Tolga Kirelli, SMMM
Partner

March 5, 2021
İstanbul, Turkey

EASTPHARMA LTD. AND ITS SUBSIDIARIES

INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2020

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EASTPHARMA LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

(Unless otherwise indicated all amounts expressed in US Dollar.)

ASSETS		**Current Period**	**Prior Period**
CURRENT ASSETS	**Notes**	**Audited 31 December 2020**	**Audited 31 December 2019**
Cash and cash equivalents	5	104,019,380	57,420,187
Trade and other receivables (net)	6	94,856,860	85,279,156
Inventories	8	92,966,945	82,787,546
Other current assets	9	9,858,603	7,243,051
Total Current Assets		**301,701,788**	**232,729,940**
NON-CURRENT ASSETS			
Property, plant and equipment (net)	10	107,773,862	90,428,588
Right of use assets	11	5,462,788	4,879,817
Intangible assets (net)	12	57,900,211	67,328,385
Goodwill	13	17,171,338	20,379,809
Deferred tax assets	19	1,939,604	999,676
Other non-current assets	9	75,872	415,815
Total Non-Current Assets		**190,323,675**	**184,432,090**
TOTAL ASSETS		**492,025,463**	**417,162,030**

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

EASTPHARMA LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

(Unless otherwise indicated all amounts expressed in US Dollar.)

LIABILITIES AND EQUITY		**Current Period**	**Prior Period**
CURRENT LIABILITIES	**Notes**	**Audited 31 December 2020**	**Audited 31 December 2019**
Short-term borrowings	15	97,998,592	75,333,472
Trade payables	16	22,348,321	21,329,106
Due to related parties	7	4,417	4,515
Provisions	18	891,170	1,179,347
Derivative financial instruments	34	524,779	732,547
Other payables and accrued expenses	17	19,777,730	17,812,021
Current tax payable	19	2,259,547	2,754,067
Total Current Liabilities		**143,804,556**	**119,145,075**
NON-CURRENT LIABILITIES			
Long-term borrowings	15	34,196,079	48,588,512
Other financial borrowings	15	17,666,279	10,923,919
Provision for employment termination benefits	20	4,596,003	4,683,196
Deferred income	17	7,215,609	6,382,516
Total Non-Current Liabilities		**63,673,970**	**70,578,143**
TOTAL LIABILITIES		**207,478,526**	**189,723,218**
EQUITY			
Share capital		338,250,000	338,250,000
Premium in excess of par		99,774,445	99,774,445
Legal reserves		1,215,248	1,215,248
Retained earnings		145,781,280	60,893,471
Actuarial loss arising from defined benefit plans		(709,432)	(1,036,340)
Forreign currency translation reserve		(422,533,302)	(373,708,156)
Equity attributable to equity holders of the parent		**161,778,239**	**125,388,668**
Non-controlling interests		122,768,698	102,050,144
Total Equity		**284,546,937**	**227,438,812**
TOTAL LIABILITIES AND EQUITY		**492,025,463**	**417,162,030**

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

EASTPHARMA LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2020

(Unless otherwise indicated all amounts expressed in US Dollar.)

	Notes	Current Period Audited 1 January – 31 December 2020	Prior Period Audited 1 January – 31 December 2019
Revenue	23	289,014,240	263,078,315
Cost of sales	24	(125,202,553)	(118,966,587)
Gross profit		**163,811,687**	**144,111,728**
Operating expenses	25	(60,377,421)	(57,704,996)
Investment revenue	26	1,384,513	835,146
Finance costs (net)	27	(16,636,893)	(26,215,531)
Other gains and losses	28	18,854,772	3,160,026
Profit before tax		**107,036,658**	**64,186,373**
Current tax expense	19	(2,716,039)	(2,992,218)
Deferred tax income	19	69,149	73,986
Tax expense		**(2,646,890)**	**(2,918,232)**
Net profit for the period		**104,389,768**	**61,268,141**
Attributable to:			
Equity holders of the parent		85,645,590	52,440,138
Non-controlling interests		18,744,178	8,828,003
		104,389,768	**61,268,141**
Basic and diluted earnings per share (US Dollar)	31	1.266	0.775

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

EASTPHARMA LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF
OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2020

(Unless otherwise indicated all amounts expressed in US Dollar.)

	Notes	Current Period Audited 1 January – 31 December 2020	Prior Period Audited 1 January – 31 December 2019
Net income for the period		**104,389,768**	**61,268,141**
Other Comprehensive Income / (Loss) :			
Items not to be reclassified subsequently to profit or loss		**132,526**	**(231,314)**
Actuarial loss arising from defined benefit plans	20	165,657	(296,556)
Tax effect of other comprehensive income not to be reclassified to profit or loss	19	(33,131)	65,242
Items that are or may be reclassified subsequently to profit or loss:		**(44,260,169)**	**(23,226,097)**
Foreign currency translation loss		(44,260,169)	(23,226,097)
Total comprehensive income /(loss) for the period		**60,262,125**	**37,810,730**
Total comprehensive income (loss) attributable to:			
Equity holders of the parent		37,147,352	27,657,611
Non-controlling interests		23,114,773	10,153,119
		60,262,125	**37,810,730**

EASTPHARMA LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

(Unless otherwise indicated all amounts expressed in US Dollar.)

	Notes	Share capital	Premium in excess of par	Legal reserves	Actuarial loss arising from defined benefit plans	Forreign currency translation reserve	Retained earnings	Total equity attributable to equity holders of the parent	Non-controlling interests	Total
Balance as of 1 January 2019	22	338,250,000	99,774,445	1,215,248	(908,975)	(349,052,994)	9,131,691	98,409,415	91,897,025	190,306,440
Adjustment for change in accounting policy (Note 2)		-	-	-	-	-	(410,710)	(410,710)	-	(410,710)
Actuarial loss arising from defined benefit plans		-	-	-	(231,314)	-	-	(231,314)	-	(231,314)
Currency translation		-	-	-	103,949	(24,655,162)	-	(24,551,213)	1,325,116	(23,226,097)
Net profit for the period		-	-	-	-	-	52,440,138	52,440,138	8,828,003	61,268,141
Dividends		-	-	-	-	-	(267,648)	(267,648)	-	(267,648)
Total comprehensive income / (loss)		-	-	-	(127,365)	(24,655,162)	52,172,490	27,389,963	10,153,119	37,543,082
Balance as of 31 December 2019		338,250,000	99,774,445	1,215,248	(1,036,340)	(373,708,156)	60,893,471	125,388,668	102,050,144	227,438,812
Balance as of 1 January 2020	22	338,250,000	99,774,445	1,215,248	(1,036,340)	(373,708,156)	60,893,471	125,388,668	102,050,144	227,438,812
Actuarial loss arising from defined benefit plans		-	-	-	132,526	-	-	132,526	-	132,526
Currency translation		-	-	-	194,382	(48,825,146)	-	(48,630,764)	4,370,595	(44,260,169)
Net profit for the period		-	-	-	-	-	85,645,590	85,645,590	18,744,178	104,389,768
Total comprehensive income / (loss)		-	-	-	326,908	(48,825,146)	85,645,590	37,147,352	23,114,773	60,262,125
Dividends		-	-	-	-	-	(757,781)	(757,781)	(2,396,219)	(3,154,000)
Balance as of 31 December 2020		338,250,000	99,774,445	1,215,248	(709,432)	(422,533,302)	145,781,280	161,778,239	122,768,698	284,546,937

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

EASTPHARMA LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

(Unless otherwise indicated all amounts expressed in US Dollar.)

	Notes	Audited 1 January- 31 December 2020	Audited 1 January- 31 December 2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period		104,389,768	61,268,141
Adjustments to reconcile net profit to net cash provided by/ (used in) operating activities:			
Depreciation of property, plant and equipment	24,25	4,440,149	4,568,885
Amortization of right of use assets	25	1,835,987	1,460,949
Amortization of intangible assets	25	2,713,315	2,982,310
Impairment losses on intangible assets	12	12,462,523	7,219,704
Provision for employment termination benefits	20	1,251,683	1,251,681
Gain, on sale and disposal of property, plant and equipment and intangible assets	28	(818,397)	(382,251)
Gain / (Loss) on derivative financial instruments	27	(1,862,281)	2,957,779
Amortization of discount	26,27	(37,227)	31,554
Change in amortised cost of bonds issued		8,206,540	(2,097,349)
Provisions	18	475,928	753,746
Interest expense	27	13,472,536	18,976,103
Bonds issued interest expense	27	4,308,445	3,635,859
Change in allowance for diminution in value of inventories	8	5,252,546	2,407,894
Unrealized foreign exchange gain	27, 28	(15,956,112)	(2,734,787)
Interest income	26	(1,342,198)	(833,819)
Tax expense	19	2,646,890	2,740,758
Changes in working capital:			
Increase in trade and other receivables		(30,623,985)	(16,352,837)
Increase in inventories		(34,215,035)	(11,004,885)
Increase in other current assets		(7,490,151)	(174,507)
Increase in trade payables		22,929,072	11,290,736
Decrease in due to related parties		(98)	(66)
(Decrease) / increase in derivative financial instruments		(207,768)	732,547
Increase in other payables and accrued expenses		9,359,025	5,220,696
Cash generated from operations		**101,191,155**	**93,918,841**
Income tax paid		(779,150)	1,172,219
Provisions utilized	18	(539,130)	(622,914)
Employment termination benefits paid	20	(279,835)	(358,206)
Net cash provided by operating activities		**99,593,040**	**94,109,940**

EASTPHARMA LTD. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

(Unless otherwise indicated all amounts expressed in US Dollar.)

	Notes	Audited 1 January- 31 December 2020	Audited 1 January- 31 December 2019
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of property, plant and equipment	10	(40,590,955)	(24,794,281)
Proceeds on right of use assets	11	6,547,582	(631,734)
Purchases of intangible assets	12	(15,250,779)	(14,110,213)
Proceeds on disposal of property, plant and equipment	10,28	846,309	455,773
Net cash used in investing activities		**(48,447,843)**	**(39,080,455)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest received		1,351,977	818,230
Interest paid		(13,248,374)	(19,162,821)
Proceeds from borrowings	15	142,567,392	288,583,094
Repayment of borrowings	15	(136,890,224)	(287,680,482)
Payments of issued debt instruments	15	(10,898,440)	-
Repayment of lease liabilities	15	(1,727,475)	(1,441,789)
Provided by bonds issued	15,27	13,401,520	(3,635,859)
Dividends paid		(3,154,000)	(267,648)
Net cash used in financing activities		**(8,597,624)**	**(22,787,275)**
NET CHANGES IN CASH AND CASH EQUIVALENTS		42,547,573	32,242,210
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD		57,386,904	26,112,178
Effect of exchange rate changes on the balance of cash held in foreign currencies		4,019,084	(967,484)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	5	**103,953,561**	**57,386,904**

Changes in working capital include currency translation of US Dollar 45,247,475 (1 January – 31 December 2019: US Dollar 13,580,161). The distribution of the currency translation effect for the period is as follows:

	1 January- 31 December 2020	1 January- 31 December 2019
Trade receivables	(30,623,985)	(16,352,837)
Inventories	(34,215,035)	(11,004,885)
Other receivables and current assets	(7,490,151)	(174,507)
Trade payables	22,929,072	11,290,736
Other payables and accrued expenses	9,151,257	5,953,243
Financial liabilities	(4,998,633)	(3,291,911)
	(45,247,475)	(13,580,161)

(Unless otherwise indicated all amounts expressed in US Dollar.)

1. ORGANIZATION AND OPERATIONS OF THE GROUP

EastPharma Ltd. (the "Company" or "EastPharma") is a limited company incorporated in Bermuda. The Company was established on 17 August 2006 and the address of its registered office is Church Street Hamilton, Bermuda. EastPharma is the indirect holding company of Deva Holding A.Ş. ("Deva"), a pharmaceutical company incorporated in Istanbul, Turkey which was acquired on 27 November 2006 and Saba İlaç Sanayi ve Ticaret A.Ş. ("Saba"), a pharmaceutical company incorporated in Istanbul, Turkey which was acquired on 10 May 2007. EastPharma and its subsidiaries are collectively referred to as the "Group" in this report.

The Group operates in the pharmaceutical industry and is one of the branded generic players in the Turkish market. The Group has a wide range of product portfolio and a country-wide organized sales force.

The Group has 204 pharmaceutical molecules in 407 pharmaceutical forms ranging from antimicrobial agents to antineoplastics and antihypertensive.

The Group has four production facilities which operate in compliance with the Good Manufacturing Practice ("GMP"). During February 2008, the Company signed a definitive Asset Purchase Agreement with F. Hoffmann-La Roche Ltd ("Roche") for the purchase of all rights, liabilities and registrations of eight Roche products registered in Turkey. There is no termination date for the Asset Purchase Agreement. In addition, on 16 May 2008, the Company signed a License and Supply Agreement allowing EastPharma SARL to license an additional eight Roche products on an exclusive basis for Turkey. The necessary regulatory approvals of the Turkish Competition Board were obtained on 16 May 2008 and the agreement became effective on 19 June 2008.

The details of the Company's direct and indirect subsidiaries as at 31 December 2020 and 31 December 2019 are as follows:

	Ownership %		Place of incorporation	Principal activity
Direct holdings:	31 December 2020	31 December 2019		
EastPharma S.a r.l	100%	100%	Luxembourg	Direct parent company of Deva
Indirect holdings:				
Deva Holding A.Ş.	82.2%	82.2%	Turkey	Production and sales of human pharmaceuticals
Saba İlaç A.Ş.	99.9%	99.9%	Turkey	Production and sales of human pharmaceuticals
EastPharma İlaç A.Ş.	100%	100%	Turkey	Non – operating

The Group has also interest of 21.75% (2019: 21.75 %) in a company incorporated in Singapore, Lypanosys PTE LTD of which principal activities are production and sales of human pharmaceuticals. (Note 14)

1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont.)

Main subsidiary of EastPharma is Deva Holding A.Ş., it owns 82,2% of the shares of Deva as of 31 December 2020. Non-controlling interest amount is mainly related to these shares.

A summary of financial information on material partly-owned subsidiary Deva, in US Dollar terms, is as follows;

Deva Holding	31 December 2020	31 December 2019
Current assets	265,518,418	208,961,172
Non-current assets	154,979,097	147,743,047
Current liabilities	(134,499,212)	(112,849,203)
Non-current liabilities	(63,498,851)	(70,399,209)
Equity attributable to equity holders of the parent	(222,499,452)	(173,455,807)

	1 January-31 December 2020	1 January-31 December 2019
Sales	266,756,401	242,290,185
Expenses	(174,045,819)	(191,866,865)
Net profit for the period	92,710,582	50,423,320
Attributable to:		
Equity attributable to equity holders of the parent	92,710,582	50,423,320
Net profit for the period	92,710,582	50,423,320
Net profit for the period	92,710,582	50,423,320
Actuarial loss arising from defined benefit plans	172,304	(310,961)
Tax effect other comprehensive income not to be reclassified to profit or loss	(34,461)	68,411
Foreign currency translation	642,785	365,542
Total comprehensive income for the period	93,491,210	50,546,312
Total comprehensive income attributable to:	**93,491,210**	**50,546,312**
Equity attributable to equity holders of the parent	93,491,210	50,546,312
	93,491,210	50,546,312

1. ORGANIZATION AND OPERATIONS OF THE GROUP (cont.)

Description of operations:

The Group classifies its operations into three business segments: production and sale of human pharmaceuticals, veterinary products and other. These segments are the basis on which the Group reports its segment information. Further segment information about the Group's operations is presented in Note 30.

The human pharmaceuticals segment derives the majority of its revenues from the sale of branded generic and licensed products. Branded generic products are finished pharmaceutical products that Deva produces and sells under its trademarked name rather than the chemical name of the active pharmaceutical compound. Licensed products are finished pharmaceutical products that the Company produces and sells under licenses from other pharmaceutical companies that hold the rights to the pharmaceutical compound. The business encompasses a wide range of medicines combating diseases in the musculoskeletal, alimentary, metabolism and cardiovascular system and infections. Corporate expenses and assets are included in the human pharmaceuticals segment.

In addition to Group's manufacturing activities, the Group also conducts, at its microbiology laboratories, tests and research on the adaptation of raw materials, selection of micro-organisms, formulation of culture mediums, and executes various test and research fermentations on pilot fermentor.

The veterinary products segment derives its revenue from the sale of products that meet the needs of veterinarians and animal breeders. Revenues of the veterinary products segment are derived from the sale of 88 pharmaceutical molecules in 139 pharmaceutical forms.

The operations in the other segment include cologne.

The Group's operations and production facilities are located in Turkey.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

The accounting policies adopted in preparation of the consolidated financial statements as at 31 December 2020 are consistent with those of the previous financial year, except for the adoption of new and amended IFRS and IFRIC interpretations effective as of 1 January 2020. The effects of these standards and interpretations on the Group's financial position and performance have been disclosed in the related paragraphs.

2.1 The new standards, amendments and interpretations which are effective as at January 1, 2020 are as follows:

Definition of a Business (Amendments to IFRS 3)

In October 2018, the IASB issued amendments to the definition of a business in IFRS 3 Business Combinations. The amendments are intended to assist entities to determine whether an acquired set of activities assets is a business or not.

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

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

The amendments are not applicable for the Group and did not have an impact on the financial position or performance of the Group.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont.)

2.1 The new standards, amendments and interpretations which are effective as at 1 January 2020 (cont'd):

Amendments to IFRS 9, IAS 39 and IFRS 7- Interest Rate Benchmark Reform

The amendments issued to IFRS 9 and IAS 39 which are effective for periods beginning on or after 1 January 2020 provide reliefs which enable hedge accounting to continue. For these reliefs, it is assumed that the benchmark on which the cash flows of hedged risk or item are based and/or, the benchmark on which the cash flows of the hedging instrument are based, are not altered as a result of IBOR reform. in connection with interest rate benchmark reform.

Reliefs used as a result of amendments in IFRS 9 and IAS 39 is aimed to be disclosed in financial statements based on the amendments made in IFRS 7.The amendments did not have a significant impact on the financial position or performance of the Group.

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

In October 2018, the IASB issued amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors to align the definition of 'material' across the standards and to clarify certain aspects of the definition. The new definition states that, 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. An entity will need to assess whether the information, either individually or in combination with other information, is material in the context of the financial statements.

The amendments to IAS 1 and IAS 8 are required to be applied for annual periods beginning on or after 1 January 2020. The amendments did not have a significant impact on the financial position or performance of the Group.

Amendments to IFRS 16 – Covid-19 Rent Related Concessions

In May 2020, the IASB issued amendments to IFRS 16 Leases to provide relief to lessees from applying IFRS 16 guidance on lease modifications to rent concessions arising a direct consequence of the Covid-19 pandemic. A lessee that makes this election accounts for any change in lease payments related rent concession the same way it would account for the change under the standard, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of the Covid-19 pandemic and only if all of the following conditions are met:

- The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
- Any reduction in lease payments affects only payments originally due on or before 30 June 2021
- There is no substantive change to other terms and conditions of the lease.

A lessee will apply the amendment for annual reporting periods beginning on or after 1 June 2020. Early application of the amendments is permitted. The amendments did not have a significant impact on the financial position or performance of the Group.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont.)

2.2 Standards issued but not yet effective and not early adopted

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

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

In December 2015, IASB postponed the effective date of this amendment indefinitely pending the outcome of its research project on the equity method of accounting. Early application of the amendments is still permitted. The Group will wait until the final amendment to assess the impacts of the changes.

IFRS 17 - The new Standard for insurance contracts

The IASB issued IFRS 17, a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. IFRS 17 model combines a current balance sheet measurement of insurance contract liabilities with the recognition of profit over the period that services are provided. IFRS 17 will become effective for annual reporting periods beginning on or after 1 January 2023; early application is permitted. The standard is not applicable for the Group and will not have an impact on the financial position or performance of the Group.

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

23 January 2020, the IASB issued amendments to IAS 1 Presentation of Financial Statements. The amendments issued to IAS 1 which are effective for periods beginning on or after 1 January 2022, clarify the criteria for the classification of a liability as either current or non-current. Amendments must be applied retrospectively in accordance with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors. Early application is permitted. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to IFRS 3 – Reference to the Conceptual Framework

In May 2020, the IASB issued amendments to IFRS 3 Business combinations. The amendments are intended to replace to a reference to a previous version of the IASB's Conceptual Framework (the 1989 Framework) with a reference to the current version issued in March 2018 (the Conceptual Framework) without significantly changing requirements of IFRS 3. At the same time, the amendments add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date. The amendments issued to IFRS 3 which are effective for periods beginning on or after 1 January 2022 and must be applied retrospectively. Earlier application is permitted if, at the same time or earlier, an entity also applies all of the amendments contained in the Amendments to References to the Conceptual Framework in IFRS standards (March 2018). The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

Amendments to IAS 16 – Proceeds before intended use

In May 2020, the IASB issued amendments to IAS 16 Property, plant and equipment. The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PP&E), any proceeds of the sale of 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 costs of producing those items, in profit or loss. The amendments issued to IAS 16 which are effective for periods beginning on or after 1 January 2022. Amendments must be applied prospectively only to items of PP&E made available for use on or after beginning of the earliest period presented when the entity first applies the amendment.

There is no transition relief for the first time adopters. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont.)

2.2 Standards issued but not yet effective and not early adopted (cont.)

Amendments to IAS 37 – Onerous contracts – Costs of Fulfilling a Contract

In May 2020, the IASB issued amendments to IAS 37 Provisions, Contingent Liabilities and Contingent assets. . The amendments issued to IAS 37 which are effective for periods beginning on or after 1 January 2022, to specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making and also apply a "directly related cost approach". Amendments must be applied retrospectively to contracts for which an entity has not fulfilled all of its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Earlier application is permitted and must be disclosed. The amendments are not applicable for the Group and will not have an impact on the financial position or performance of the Group.

Interest Rate Benchmark Reform – Phase 2 – Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

In August 2020, the IASB issued Interest Rate Benchmark Reform – Phase 2, Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 to provide temporary reliefs which address the financial reporting effects when an interbank offering rate (IBOR) is replaced with an alternative nearly risk-free rate (RFR, amending the followings:

Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

The amendments include a practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest. Under this practical expedient, if the interest rates applicable to financial instruments change as a result of the IBOR reform, the situation is not considered as a derecognition or contract modification; instead, this would be determined by recalculating the carrying amount of the financial instrument using the original effective interest rate to discount the revised contractual cash flows.
The practical expedient is required for entities applying IFRS 4 Insurance Contracts that are using the exemption from IFRS 9 Financial Instruments (and, therefore, apply IAS 39 Financial Instruments: Classification and Measurement) and for IFRS 16 Leases, to lease modifications required by IBOR reform.

Relief from discontinuing hedging relationships

The amendments permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued.

Amounts accumulated in the cash flow hedge reserve are deemed to be based on the RFR.

For the IAS 39 assessment of retrospective hedge effectiveness, on transition to an RFR, entities may elect on a hedge-by-hedge basis, to reset the cumulative fair value changes to zero.

The amendments provide relief for items within a designated group of items (such as those forming part of a macro cash flow hedging strategy) that are amended for modifications directly required by IBOR reform. The reliefs allow the hedging strategy to remain and not be discontinued.

As instruments transition to RFRs, a hedging relationship may need to be modified more than once. The phase two reliefs apply each time a hedging relationship is modified as a direct result of IBOR reform.

Separately identifiable risk components

The amendments provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (cont.)

2.2 Standards issued but not yet effective and not early adopted (cont.)

Additional disclosures

Amendments need additional IFRS 7 Financial Instruments disclosures such as; How the entity is managing the transition to RFRs, its progress and the risks to which it is exposed arising from financial instruments due to IBOR reform, quantitative information about financial instruments that have yet to transition to RFRs and if IBOR reform has given rise to changes in the entity's risk management strategy, a description of these changes.

The amendments are mandatory, with earlier application permitted. While application is retrospective, an entity is not required to restate prior periods.

2.3 Annual Improvements – 2018–2020 Cycle

In May 2020, the IASB issued Annual Improvements to IFRS Standards 2018–2020 Cycle, amending the followings:

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter: The amendment permits a subsidiary to measure cumulative translation differences using the amounts reported by the parent. The amendment is also applied to an associate or joint venture.

IFRS 9 Financial Instruments – Fees in the "10 per cent test" for derecognition of financial liabilities: The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either borrower or lender on the other's behalf.

IAS 41 Agriculture – Taxation in fair value measurements: The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring fair value of assets within the scope of IAS 41.

Improvements are effective for annual reporting periods beginning on or after 1 January 2022. Earlier application is permitted for all. The Group is in the process of assessing the impact of the amendments on financial position or performance of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS"). The consolidated financial statements have been prepared on the historical cost basis except for the revaluation of certain assets. The principal accounting policies are set out below.

Functional and reporting currency

The functional and reporting currency of the Company is the US Dollar, which reflects the economic substance of its operations. The Company uses the US Dollar in measuring items in its financial statements and as the reporting currency of the Group. All currencies other than US Dollar are treated as foreign currencies.

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency); functional currency of Deva is Turkish Lira (TRY), Saba is TRY and EP SARL is USD. For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in US Dollar, which is the functional currency of the Company.

In preparing the financial statements of the individual entities, transactions in currencies other than each entity's functional currency are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

The translation for foreign currency transactions that are not in the functional currency of the Company are recorded in profit and loss.

The translation of Group's foreign operations financial statements from their functional currency to the Group's functional currency is performed as follows:

- Assets and liabilities are translated at closing exchange rate at the date of each consolidated balance sheet presented;
- All income and expenses are translated at the average exchange rates for the period presented;
- Resulting exchange differences are included in equity and presented separately as "Foreign currency translation reserve".

The US Dollar/TRY, US Dollar/EUR and EUR/TRY year end exchange rates and average exchange rates for the year ended 31 December 2020 and 2019 are as follows:

	Year End		Average	
	31 December 2020	31 December 2019	31 December 2020	31 December 2019
USD/TL	7.3405	5.9402	7.0034	5.6712
USD/EUR	0.8149	0.8932	0.8739	0.8934
EUR/TL	9.0079	6.6506	8.0140	6.3481

Approval of the financial statements

The accompanying financial statements have been approved by the Board of Directors and are authorized for issue on 5 March 2021.

Going Concern

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

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee
- is exposed, or has rights, to variable returns from its involvement with the investee, and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable IFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

Business combinations

The acquisition of subsidiaries and businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquire and the equity interests issued by the Group in exchange for control of acquire. Acquisition-related costs are generally recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquire or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquire are measured in accordance with IFRS 2 *Share-based Payment* at the acquisition date; and;
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

(Unless otherwise indicated all amounts expressed in US Dollar.)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Business combinations (cont.)

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquire, and the fair value of the acquirer's previously held equity interest in the acquire (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquire and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognized immediately in profit or loss as a bargain purchase gain.

When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the ‘measurement period’ (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is re-measured at subsequent reporting dates in accordance with IAS 39 *Financial Instruments: Recognition and Measurement*, or IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquire is re-measured to fair value at the acquisition date (i.e. the date when the Group obtains control) and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquire prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interest were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognized at that date.

(Unless otherwise indicated all amounts expressed in US Dollar.)

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Investments in associates

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under IFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, an investment in associate is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group’s share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill which is included within the carrying amount of the investment. Any excess of the Group’s share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognized immediately in profit or loss.

Where a group entity transacts with its associate, profits and losses resulting from the transactions with the associate are recognized in the Group’s consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

Goodwill

Goodwill arising on the acquisition of a subsidiary represents the excess of the cost of acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognized at the date of acquisition. Goodwill is initially recognized as an asset at cost and is subsequently measured at cost less any accumulated impairment losses. Goodwill is translated at closing exchange rate at the date of each consolidated balance sheet presented and the difference is accounted as foreign exchange gain or loss.

For the purpose of impairment testing, goodwill is allocated to each of the Group’s cash-generating units “CGU” expected to benefit from the synergies of the combination. CGUs to which goodwill has been allocated are tested for impairment, annually or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the CGU is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or a jointly controlled entity, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Revenue recognition

Sale of goods

Revenue is generated from the sale of pharmaceutical goods to third party warehouse distributors. Revenue is measured at the fair value of the consideration received or receivable for goods provided in the normal course of business, net of related taxes, and incentives.

The Group grants price concessions to its distributors, including sales and volume discounts and price refunds. Certain discounts are granted at the point of sale or based upon volumes purchased in a period. Subsequent to a decrease in the reference price of any of its products, the Group may decide to refund its distributors a portion of the amounts paid for their prior purchases of such product. All price concessions are recorded as a reduction in revenue. At the end of each period, a provision is recorded for the best estimate of these price concessions, based on facts available at the time and the Group's historical experience.

Standard prices for pharmaceutical products in Turkey are established by the Ministry of Health. Gross product sales are subject to sales discounts, volume discounts and free of charge goods incentives.

Sales discounts are granted at the point of sale based on a fixed percentage and are recorded as a reduction of revenue in the period of the sale. Sales discount percentages vary depending on the product sold. Volume discounts are granted in the period of sale based on a fixed percentage and the total sales made in the period. Volume discount percentages vary depending on the distributor. The estimate for volume discounts is based on actual invoiced sales within each period at a fixed discount rate and is recorded as a reduction of revenue in the period of the sale.

The Group also provides distributors with sales incentives in the form of free products (free of charge goods). The free of charge goods incentive allows distributors to provide its customers with free products at no cost to the distributor as the Group will provide an equivalent amount of product to the distributor. Distributors have the option to be reimbursed for the cost of the free products through a reduction in amounts owed (sales credit) rather than free goods. At the end of each period, distributors provide the Group with a total amount of goods provided to customers for free. The estimate for sales credit is estimated based on the actual number of products given for free during the period and is recorded as a reduction of revenue.

Revenue from sale of goods is recognized when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods which occurs upon delivery of the goods to the customer;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the Group; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Interest revenue

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

Cost of sales - free of charge goods

Free of charge goods provided to distributors are estimated based on the actual number of free products given by the distributors to its customers during the period and the cost of the free of charge goods are included as part of cost of sales.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Inventories

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with being valued on a standard costing basis. At the end of the each reporting period, the standard costs are updated based on the actual costs. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale.

Property, plant and equipment

Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are carried at cost less accumulated depreciation and any accumulated impairment loss.

Furniture and equipment are carried at cost less accumulated depreciation and any accumulated impairment loss. Depreciation is charged so as to write off the cost of assets, other than land and construction in progress, over their estimated useful lives, using the straight line method. Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets. However, when there is no reasonable certainty that ownership will be obtained by the end of the lease term, assets are depreciated over the shorter of the lease term and their useful lives.

The depreciation periods for property, plant and equipment are as follows:

	Useful life
Buildings	25-50
Machinery and equipment	4-30
Vehicles	5
Furniture and fixtures	5
Leasehold improvements	2-3

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognized in profit or loss.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.
The cost of right-of-use assets includes:
a) the amount of lease liabilities recognised,
b) lease payments made at or before the commencement date less any lease incentives received.
c) initial direct costs incurred and

Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

Derivative financial instruments

Derivative financial instruments are initially recognised at the acquisition cost reflecting the fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. The derivative instruments of the Group mainly consist of foreign exchange forward contracts. These derivative transactions, even though providing effective economic hedges under the Group risk management position, do not generally qualify for hedge accounting under the specific rules and are therefore treated as derivatives held for trading in the consolidated financial statements. The fair value changes for these derivatives are recognised in the consolidated income statement.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Impairment of Non-Financial Assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets

Intangible assets acquired separately

Intangibles are carried at cost less accumulated amortization and any permanent impairment loss. Amortization is charged on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized only if, all of the following have been demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset;
- How the intangible asset will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- The ability to measure reliably expenditure attributable to intangible asset during its development.

The amount initially recognized for internally-generated intangible assets is the sum of expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognized, development expenditure is charged to profit or loss in the period in which it is incurred. Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortization and impairment losses, on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognized separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets acquired separately.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. Reversal of an impairment loss is recognized immediately in profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization. All other borrowing costs are recorded in the consolidated statement of income and comprehensive income in the period in which they are incurred. Assets that necessarily take a substantial period of time to get ready for intended use or sale of the Group are license development costs. Transformation of these costs to be ready for sale state may take more than one financial year. Borrowing costs incurred for development costs are added to cost of the related asset until it is ready for sale. During the year ended 31 December 2020 US Dollar 475,172 (31 December 2019: US Dollar 618,269) amount was capitalized on qualifying assets. The weighted average capitalization rate on funds borrowed generally is 8.5% per annum (2019: 5.5% per annum).

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Government grants and incentives

Grants from the government are recognized at their fair value where there is reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to capitalized development costs are deferred and recognized in the consolidated statement of income and comprehensive income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are included in non-current liabilities as deferred income and are credited to consolidated statement of income and comprehensive income on a straight-line basis over the expected lives of the related assets.

The Group receives assistance from Scientific and Technological Research Council of Turkey (“TUBITAK”). TUBITAK runs a program to organize and regulate the Republic of Turkey’s support to encourage research and technology development activities of the industries in Turkey. Within the framework of this program, a certain portion of the development expenditures of the industrial companies are reimbursed.

Taxation and deferred income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. Bermuda levies no tax on profits, dividends or income, nor is there any withholding tax or capital gains tax. Turkish tax legislation does not permit a parent company and its subsidiary to file a consolidated tax return. Therefore, provisions for taxes for Turkish subsidiaries, as reflected in the accompanying consolidated financial statements, have been calculated on a separate-entity basis.

Current tax

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

Deferred tax

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

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Prepaid corporation taxes and corporation tax liabilities are offset as they relate to income taxes levied by the same taxation authority. Deferred tax asset and liabilities for each separate subsidiary are not offset on a consolidated basis. However, deferred tax assets and liabilities are offset in the individual financial statements of the subsidiary as they are due to the same tax authority.

Provision for employment termination benefits

Under Turkish law and union agreements, lump sum payments are made to employees retiring or involuntarily leaving the Group. Such payments are considered as being part of defined retirement benefit plan as per International Accounting Standard No. 19 (revised) “Employee Benefits” (“IAS 19”). The retirement benefit obligation recognized in the balance sheet represents the present value of the defined benefit obligation.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Leasing - the Group as lessee

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Earnings per share

Earnings per common share for 31 December 2020 and 2019 have been determined using the weighted average number of the Company's shares, respectively. There are no potentially dilutive securities.

Financial instruments

Financial assets and financial liabilities are recognized on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits and other short-term highly liquid investments which have an original maturity of three months or less from date of acquisition and that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value. The carrying amount of these assets approximates their fair value.

Trade receivables, amounts due from related parties and other receivables

Trade receivables, amounts due from related parties and other receivables are measured at initial recognition at fair value, and are subsequently measured at amortized cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognized in profit or loss when there is objective evidence that the asset is impaired. The allowance recognized is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the effective interest rate computed at initial recognition. The carrying amount of trade receivables, due from related parties and other receivables approximates their fair value.

Bank borrowings

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognized over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs.

Trade payables, amounts due to related parties and other payables

Trade payables, amounts due to related parties and other payables are initially measured at fair value, and are subsequently measured at amortized cost, using the effective interest rate method. The carrying amount of trade and other payables approximates their fair value.

Bonds issued

Bonds issued are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

3. SIGNIFICANT ACCOUNTING POLICIES (cont.)

Provisions and contingent liabilities

A provision is recognized when the Group has a present obligation (legal or constructive) as a result of a past event and (i) it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and (ii) a reliable estimate can be made of the amount of the obligation.

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

Contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits has become probable. If it becomes probable that an outflow of future economic benefits will be required for an item previously identified as a contingent liability, a provision is made in the consolidated financial statements of the period in which the change in probability occurs (except in the circumstances where no reliable estimate can be made).

A restructuring provision is recognized when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan and announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the Group.

Events after the reporting period

The Group adjusts the amounts recognised in its 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 financial statements, they are disclosed in the notes to the consolidated financial statements.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgments, estimates and assumptions in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 3, the Group Management has made the following judgments that have the most significant effect on the amounts recognized in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Recoverability of internally-generated intangible assets

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognized only if the technical feasibility and the intention to complete the intangible asset, the ability to use or sell the intangible asset are demonstrated, how the intangible asset will generate probable future economic benefits is determined, adequate technical, financial and other resources to complete the development and to use or sell the intangible asset is available and the expenditure attributable to the intangible asset during its development can be reliably measured. Other development expenditures that do not meet these criteria are recognized as expense when incurred.

During the year ended 31 December 2020, the Group Management reconsidered the recoverability of its internally-generated intangible assets. Management reviews the projects regularly for any impairment. Determining whether assets are impaired requires an estimation of the value in use of the internally-generated intangible assets. The value in use calculation requires the Group Management to estimate the future cash flows expected to arise from the sale of the products developed and a suitable discount rate in order to calculate present value. The first step for the estimation of the future cash flows is the assessment of the licensing process, the application to the Ministry of Health and marketability of the product. The second step of the impairment testing involves the review and comparison of the projected cash flows with the actual financial data and assessment of the market activity.

During the year ended 31 December 2020, the Group Management has recognized an impairment loss of US Dollar 12,462,523 and written-off the impaired amount from product lines, license and supply agreements (31 December 2019: US Dollar 7,219,704).

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont.)

Critical judgments, estimates and assumptions in applying the Group's accounting policies (cont.)

Intangible asset acquired in business combination

The valuations of the Group's product lines, license and supply agreement and customer relationships were performed by an independent valuation firm to determine the fair value of product lines and customer relationships (which is regarded as their cost). Valuations were conducted to serve as a basis for allocation of the purchase price to the various classes of assets acquired in accordance with IFRS 3 *Business Combinations* and IAS 38 *Intangible Assets*. For IFRS 3 and IAS 38 purposes, the fair value defined is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties. In determining the fair value of the intangible assets, the three traditional approaches to valuation were considered: the cost approach, the market approach and the income approach. The cost approach was utilized in the valuation of the Group's customer relationships as well as in valuing the total assembled workforce, which is not considered a separately identifiable intangible asset for financial reporting purposes. The income approach was utilized in arriving at the value of the acquired product rights, license and supply agreement.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the CGUs to which goodwill has been allocated. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are the discount rates, growth rates and expected changes to selling prices and direct costs during the period. The Group estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates are based on industry forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

As at 31 December 2020, the recoverable amount of the CGUs is determined based on the value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 21.3% per annum. Cash flows beyond that five-year period have been extrapolated by using a steady real growth rate of 7.7% which inflation rate forecast between the years 2024-2028 for Turkey.

In allocating the impairment loss the Company considered the higher of the fair value less costs to sell of the cash-generating unit or its value in use. The fair value less costs to sell is determined by using market approach which included guideline company method, guideline transaction method and publicly traded stock of the cash-generating unit. Fair value less cost to sell also incorporated the value in use calculated from the cash flow projections approved by the Group Management. Weighting factors were utilized to conclude on the fair value of the cash-generating unit.

As at 31 December 2020 and 2019, no impairment loss is recognized in the accompanying consolidated financial statements.

Deferred taxes

Deferred tax assets and liabilities are recorded using substantially enacted tax rates for the effect of temporary differences between book and tax bases of assets and liabilities. Currently, there are deferred tax assets resulting from operating loss carry-forwards and deductible temporary differences, all of which could reduce taxable income in the future. Based on available evidence, both positive and negative, it is determined whether it is probable that all or a portion of the deferred tax assets will be realized. The main factors which are considered include future earnings potential; cumulative losses in recent years; history of loss carry-forwards and other tax assets expiring; the carry-forward period associated with the deferred tax assets; future reversals of existing taxable temporary differences; tax-planning strategies that would, if necessary, be implemented, and the nature of the income that can be used to realize the deferred tax asset. If based on the weight of all available evidence, it is the Group's belief that taxable profit will not be available sufficient to utilize some portion of these deferred tax assets, then some portion of or all of the deferred tax assets are not recognized.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont.)

Critical judgments, estimates and assumptions in applying the Group's accounting policies (cont.)

Net realizable value

Inventories are stated at the lower of cost and net realizable value. Costs, including an appropriate portion of fixed and variable overhead expenses, are assigned to inventories held by the method most appropriate to the particular class of inventory, with being valued on standard costing basis. At the end of the each reporting period, the standard costs are updated based on the actual costs. Net realizable value represents the estimated selling price less all estimated costs of completion and costs necessary to make a sale.

When the net realizable value of inventory is less than its cost, the inventory is written down to the net realizable value and the expense is included in the consolidated statement of income and comprehensive income in the period the write-down or loss occurred. According to the calculations based on the management's assumptions, a part of the inventories are written down to their net realizable value since the net realizable value of these inventories is less than their cost.

Useful life of intangibles

Product lines include trademarks, bio-license certificates, and internally-generated intangible assets. Internally-generated intangible assets represent the costs associated with obtaining approval from the Ministry of Health for the Group's products. Product lines have an average useful life of 10-15 years. License and Supply agreements have an average useful life of 8 years, and customer relationships have an average useful life of 20 years. Other intangible assets include mainly software rights and have an average useful life of 3 years.

Provision for litigations

In determining of provision for litigations, the Group considers the probability of legal cases to be resulted against the Group and in case it is resulted against the Group considers its consequences that based on the assessments of legal advisor. The Group management makes its best estimates using the available data that are provided in Note 18.

Provision for doubtful receivables

Provision for doubtful receivables is an estimated amount that management believes to reflect possible future losses on existing receivables that have collection risk due to current economic conditions. During the impairment test for the receivables, the debtors, are assessed with their prior year performances, their credit risk in the current market, their performance after the balance sheet date up to the issuing date of the financial statements; and also the renegotiation conditions with these debtors are considered. The provision for doubtful receivables is disclosed in the Note 6.

5. CASH AND CASH EQUIVALENTS

	31 December 2020	31 December 2019
Petty cash	18,080	10,901
Demand deposits	1,862,126	1,873,428
Time deposits	102,073,355	55,502,575
Cash and cash equivalents in cash flow statement	103,953,561	57,386,904
Interest income accruals	65,819	33,283
	104,019,380	57,420,187

As of 31 December 2020, the Group's time deposits were denominated in Euro, US Dollar and Turkish Lira time deposits, and the average interest rate for Euro time deposit is 1.90%, US Dollar time deposit is 2.01%, and Turkish Lira time deposit is 17.93%. (As of 31 December 2019, the Group's time deposits were denominated in Euro, US Dollar and Turkish Lira time deposit, and the average interest rate for Euro time deposit is 0.61%, US Dollar time deposit is 1.98%, and Turkish Lira time deposit is 10.00%). The Group has made investments in short term time deposits and purchased agreements which have an average maturity of one month.

As at 31 December 2020, the Group does not have any cash deposits pledged against the bank loans used (31 December 2019: Nil).

6. TRADE AND OTHER RECEIVABLES

The Group's principal financial assets are trade, notes and other receivables. The Group's credit risk is primarily attributable to its trade receivables. As of 31 December 2020, two customers each represented 16% and 25% of the total trade and other receivables balance, respectively (31 December 2019: 26% and 24%, respectively).

	31 December 2020	31 December 2019
Trade receivables	42,114,788	28,865,754
Less: Allowance for doubtful receivables	(992,591)	(1,226,577)
Notes receivable	53,715,454	57,625,692
Other receivables	25,871	22,520
Less: Allowance for other doubtful receivables	(6,662)	(8,233)
	94,856,860	85,279,156

Notes receivable represents customer postdated cheques with maturities of less than one year and are non-interest bearing.

As at 31 December 2020 and 31 December 2019, the Group provided provision for uncollectable part of its past due trade and other receivables. The rest of the receivables amount is neither past due nor impaired. For the year ended 31 December 2020, the average credit period on sales is 100 days (31 December 2019: 100 days).

Movement of allowance for doubtful receivables in value for the period ended 31 December 2020 and 2019 is as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Balance at 1 January	1,226,577	1,384,955
Provision charge	-	-
Translation effect	(233,986)	(158,378)
Balance at 31 December	992,591	1,226,577

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The distribution of the Group's human pharmaceutical products is mainly made by the two largest wholesalers in the Turkish market with whom the Group has not had past default experience. There is no concentration risk in other segments of the Group due to the number of smaller customers.

(Unless otherwise indicated all amounts expressed in US Dollar.)

6. TRADE AND OTHER RECEIVABLES (cont.)

Provision for other doubtful receivables(-)	For the year ended 31 December 2020	For the year ended 31 December 2019
Balance at 1 January	8,233	9,296
Translation effect	(1,571)	(1,063)
Balance at 31 December	6,662	8,233

Collateral received in relation to trade receivables were as follows:

	31 December 2020	31 December 2019
Letters of guarantees	11,242,204	9,481,153

7. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Transactions between the Company and its subsidiaries have been eliminated on consolidation and are not disclosed in this note. The related party receivables and payables resulting from operating activities are settled in the normal course of business. Details of transactions with other related parties are disclosed below.

Due to related parties	31 December 2020	31 December 2019
Benefits payable to the Board of Directors and individual shareholders	4,417	4,515
	4,417	4,515

Total amount of compensation benefits provided to directors and upper level managers, include the salaries, premiums and retirement pay for the year ended 31 December 2020 and 2019 are stated below:

Compensation of key management personnel	For the year ended 31 December 2020	For the year ended 31 December 2019
Short-term benefits	11,031,819	9,457,282
Employment termination benefits	77,035	78,025
Total compensation	11,108,854	9,535,307

(Unless otherwise indicated all amounts expressed in US Dollar.)

8. INVENTORIES

	31 December 2020	31 December 2019
Raw materials	57,895,908	44,913,384
Work-in-progress	5,655,880	6,675,033
Finished goods	31,016,876	28,975,602
Goods in transit	6,976,662	6,333,369
Allowance for diminution in value of inventories	(8,578,381)	(4,109,842)
	92,966,945	82,787,546

Allowance for diminution in value of inventories has been recognized as expense in cost of goods sold and the distribution of allowance by inventory item is as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Opening balance	4,109,842	1,921,708
Charge for the year	7,195,342	3,413,360
Provisions utilized	(1,942,796)	(1,005,466)
Translation effect	(784,007)	(219,760)
Closing balance	8,578,381	4,109,842

9. OTHER CURRENT AND NON-CURRENT ASSETS

Other current assets	31 December 2020	31 December 2019
Value added tax (VAT) receivable	2,185,022	1,625,666
Business advances given	261,247	62,170
Income accruals (*)	3,130,524	2,047,386
Prepaid expenses	1,588,710	1,400,987
Prepaid taxes	2,362,260	1,997,280
Other assets	330,840	109,562
	9,858,603	7,243,051

(*) The Group receives government grants for certain development costs and property, plant and equipment used in research and development activities. The balance mainly consists of the income accrual for the grants receivable from TUBİTAK (Scientific and Technological Research Council of Turkey).

Other non - current assets	31 December 2020	31 December 2019
Prepaid expenses	75,872	415,815
	75,872	415,815

(Unless otherwise indicated all amounts expressed in US Dollar.)

10. PROPERTY, PLANT AND EQUIPMENT

	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Furniture and Fixtures	Leasehold Improvements	Construction in Progress and Advances Given	Total
Acquisition cost									
At 1 January 2020	5,041,132	388,400	32,101,902	84,691,187	314,592	5,284,481	46,924	8,331,267	136,199,885
Currency translation	(1,001,209)	(74,093)	(6,123,874)	(16,155,993)	(60,013)	(1,008,087)	(8,951)	(1,589,302)	(26,021,522)
Additions	-	-	-	-	420,024	848,624	-	39,322,307	40,590,955
Transfers	822,450	2,861	4,818,930	9,473,046	-	-	-	(15,117,287)	-
Disposals	-	-	-	(104,715)	-	(8,079)	-	-	(112,794)
At 31 December 2020	4,862,373	317,168	30,796,958	77,903,525	674,603	5,116,939	37,973	30,946,985	150,656,524
Accumulated depreciation									
At 1 January 2020	-	(95,512)	(6,599,665)	(35,764,606)	(88,308)	(3,182,876)	(40,330)	-	(45,771,297)
Currency translation	-	19,146	1,281,361	7,030,915	19,905	628,376	7,714	-	8,987,417
Depreciation capitalized in intangible assets (Note 11) (*)	-	-	-	(605,483)	-	-	-	-	(605,483)
Depreciation charge for the year	-	(20,149)	(492,861)	(4,536,498)	(66,605)	(461,630)	(438)	-	(5,578,181)
Disposals	-	-	-	76,803	-	8,079	-	-	84,882
At 31 December 2020	-	(96,515)	(5,811,165)	(33,798,869)	(135,008)	(3,008,051)	(33,054)	-	(42,882,662)
Carrying amount at 31 December 2020	4,862,373	220,653	24,985,793	44,104,656	539,595	2,108,888	4,919	30,946,985	107,773,862
Carrying amount at 1 January 2020	5,041,132	292,888	25,502,237	48,926,581	226,284	2,101,605	6,594	8,331,267	90,428,588

(*) US Dollar 605,483 partial depreciation charge of machinery and equipment is directly attributable to development costs related to product licenses and rights. The balance is capitalized in cost value of intangible assets in respect of IAS 16 and IAS 38 (Note 11) as the projects are in progress as at 31 December 2020.

As of 31 December 2020, insurance coverage on property, plant and equipment amounts to TRY 1,299,881,214 (Equivalent of US Dollar 177,083,470) (31 December 2019: TRY 1,298,983,000 (Equivalent of US Dollar 218,676,644).

The Group's headquarter building and factory and other buildings located in Kocaeli Kartepe and Tekirdağ Çerkezköy and land in Çerkezköy are pledged against the borrowings used at an amount of TRY 55,000,000, TRY 20,000,000, TRY 35,000,000, TRY 34,000,000, TRY 8,400,000, TRY 16,200,000 and TRY 12,900,000 respectively (Note 21).

(Unless otherwise indicated all amounts expressed in US Dollar.)

10. PROPERTY, PLANT AND EQUIPMENT (cont.)

	Land	Land Improvements	Buildings	Machinery and Equipment	Vehicles	Furniture and Fixtures	Leasehold Improvements	Construction in Progress and Advances Given	Total
Acquisition cost									
At 1 January 2019	5,718,358	433,799	34,212,615	69,789,159	231,859	5,422,753	52,983	10,846,896	126,708,422
Currency translation	(677,226)	(49,608)	(3,912,432)	(7,980,838)	(26,515)	(620,127)	(6,059)	(1,240,412)	(14,513,217)
Additions	-	-	-	-	109,248	685,952	-	23,999,081	24,794,281
Transfers	-	4,209	1,801,719	23,468,370	-	-	-	(25,274,298)	-
Disposals	-	-	-	(585,504)	-	(204,097)	-	-	(789,601)
At 31 December 2019	5,041,132	388,400	32,101,902	84,691,187	314,592	5,284,481	46,924	8,331,267	136,199,885
Accumulated depreciation									
At 1 January 2019	-	(82,230)	(6,332,885)	(35,289,093)	(61,147)	(3,317,744)	(44,637)	-	(45,127,736)
Currency translation	-	10,480	771,052	4,234,319	8,613	400,655	5,142	-	5,430,261
Depreciation capitalized in intangible assets (Note 11) (*)	-	-	-	(597,887)	-	-	-	-	(597,887)
Depreciation charge for the year	-	(23,762)	(1,037,832)	(4,389,663)	(35,774)	(469,246)	(835)	-	(5,957,112)
Impairment losses charged to profit and loss	-	-	-	(234,902)	-	-	-	-	(234,902)
Disposals	-	-	-	512,620	-	203,459	-	-	716,079
At 31 December 2019	-	(95,512)	(6,599,665)	(35,764,606)	(88,308)	(3,182,876)	(40,330)	-	(45,771,297)
Carrying amount at 31 December 2019	5,041,132	292,888	25,502,237	48,926,581	226,284	2,101,605	6,594	8,331,267	90,428,588
Carrying amount at 1 January 2019	5,718,358	351,569	27,879,730	34,500,066	170,712	2,105,009	8,346	10,846,896	81,580,686

(*) US Dollar 597,887 partial depreciation charge of machinery and equipment is directly attributable to development costs related to product licenses and rights. The balance is capitalized in cost value of intangible assets in respect of IAS 16 and IAS 38 (Note 11) as the projects are in progress as at 31 December 2019.

As of 31 December 2019, insurance coverage on property, plant and equipment amounts to TRY 1,298,983,000 (Equivalent of US Dollar 218,676,644) (31 December 2018: TRY 1,156,971,000 (Equivalent of US Dollar 219,918,835).

The Group's headquarter building and factory and other buildings located in Kocaeli Kartepe and Tekirdağ Çerkezköy and land in Çerkezköy are pledged against the borrowings used at an amount of TRY 55,000,000, TRY 20,000,000, TRY 35,000,000, TRY 34,000,000, TRY 8,400,000, TRY 16,200,000 and TRY 12,900,000 respectively (Note 21).

(Unless otherwise indicated all amounts expressed in US Dollar.)

10. PROPERTY, PLANT AND EQUIPMENT (cont.)

Allocation of depreciation on property, plant and equipment and amortization of intangible assets (Note 11) is as follows:

	31 December 2020	31 December 2019
Cost of goods sold	3,863,381	3,963,389
Operating expenses	5,126,070	5,048,755
Capitalized on inventory	1,138,032	1,623,129
	10,127,483	10,635,273

11. RIGHT OF USE ASSETS

	Vehicles	Machinery	Total
Acquisition cost			
At 1 January 2020	8,079,553	-	8,079,553
Net foreign currency translation	(1,541,284)	-	(1,541,284)
Additions	1,032,540	2,229,048	3,261,588
Reclassifications (**)	(974,730)	-	(974,730)
Disposals	-	-	-
At 31 December 2020	6,596,079	2,229,048	8,825,127
Accumulated amortization			
At 1 January 2020	(3,199,736)	-	(3,199,736)
Net foreign currency translation	692,112	2,596	694,708
Reclassifications (**)	974,730	-	974,730
Charge for the year (*)	(1,779,453)	(56,534)	(1,835,987)
Disposals	3,946	-	3,946
At 31 December 2020	(3,308,401)	(53,938)	(3,362,339)
Carrying amount at 31 December 2020	3,287,678	2,175,110	5,462,788

(*) Depreciation charge for period is disclosed in Note 25.

(**) The Group has netted off the right of use asset accounts due to the expiration of the lease contracts.

(Unless otherwise indicated all amounts expressed in US Dollar.)

11. RIGHT OF USE ASSETS (cont.)

	Vehicles	Machinery	Total
Acquisition cost			
At 1 January 2019	-	-	-
Effect of change in accounting policy	4,550,332	-	4,550,332
Net foreign currency translation	-	-	-
Additions	3,529,221	-	3,529,221
Reclassifications (**)	-	-	-
Disposals	-	-	-
At 31 December 2019	8,079,553	-	8,079,553
Accumulated amortization			
At 1 January 2019	-	-	-
Effect of change in accounting policy	(2,052,306)	-	(2,052,306)
Net foreign currency translation	313,519	-	313,519
Reclassifications (**)	-	-	-
Charge for the year (*)	(1,460,949)	-	(1,460,949)
Disposals	-	-	-
At 31 December 2019	(3,199,736)	-	(3,199,736)
Carrying amount at 31 December 2019	4,879,817	-	4,879,817

(*) Depreciation charge for period is disclosed in Note 25.

(**) The Group has netted off the right of use asset accounts due to the expiration of the lease contracts.

(Unless otherwise indicated all amounts expressed in US Dollar.)

12. INTANGIBLE ASSETS

Acquisition cost	Product lines license and supply agreement	Customer relationships	Other intangible assets	Total
At 1 January 2020	97,707,228	15,115,216	7,486,460	120,308,904
Currency translation	(14,401,739)	(935,798)	(162,699)	(15,500,236)
Additions (*)	15,634,471	-	-	15,634,471
Capitalized depreciation from property, plant and equipment (Note 10)	-	-	605,483	605,483
Disposals	(13,604,865)	-	-	(13,604,865)
At 31 December 2020	85,335,095	14,179,418	7,929,244	107,443,757
Accumulated amortization and impairment				
At 1 January 2020	(49,152,755)	(3,239,989)	(587,775)	(52,980,519)
Currency translation	4,175,706	676,657	155,583	5,007,946
Charge for the year	(2,634,023)	(79,292)	-	(2,713,315)
Disposals	1,142,342	-	-	1,142,342
At 31 December 2020	(46,468,730)	(2,642,624)	(432,192)	(49,543,546)
Carrying amount at 31 December 2020	38,866,365	11,536,794	7,497,052	57,900,211
Carrying amount at 1 January 2020	48,554,473	11,875,227	6,898,685	67,328,385

As of 31 December 2020, capitalized borrowing cost amounts to US Dollar 475,172 (31 December 2019: US Dollar 618,269).

(*) Additions mainly consist of internally generated and technology-transfer products.

(Unless otherwise indicated all amounts expressed in US Dollar.)

12. INTANGIBLE ASSETS (cont.)

Acquisition cost	Product lines license and supply agreement	Customer relationships	Other intangible assets	Total
At 1 January 2019	100,875,921	15,909,084	6,998,699	123,783,704
Currency translation	(9,474,754)	(793,868)	(110,126)	(10,378,748)
Additions (*)	14,697,646	-	-	14,697,646
Capitalized depreciation from property, plant and equipment (Note 10)	-	-	597,887	597,887
Disposals	(8,391,585)	-	-	(8,391,585)
At 31 December 2019	97,707,228	15,115,216	7,486,460	120,308,904
Accumulated amortization and impairment				
At 1 January 2019	(50,160,740)	(3,553,110)	(693,085)	(54,406,935)
Currency translation	2,729,978	401,557	105,310	3,236,845
Charge for the year	(2,893,874)	(88,436)	-	(2,982,310)
Disposals	1,171,881	-	-	1,171,881
At 31 December 2019	(49,152,755)	(3,239,989)	(587,775)	(52,980,519)
Carrying amount at 31 December 2019	48,554,473	11,875,227	6,898,685	67,328,385
Carrying amount at 1 January 2019	50,715,181	12,355,974	6,305,614	69,376,769

As of 31 December 2019, capitalized borrowing cost amounts to US Dollar 618,269 (31 December 2018: US Dollar 826,628).

(*) Additions mainly consist of internally generated and technology-transfer products.

Product lines include trademarks, biolicense certificates, and internally-generated intangible assets. Internally-generated intangible assets represent the costs associated with obtaining approval from the Ministry of Health for the Group’s products. Product lines have an average useful life of 10-15 years. License and Supply agreements have an average useful life of 8 years.

The license and supply agreement represents the value of the rights acquired through the License and Supply Agreement signed between EastPharma SARL and Roche. Rights acquired through license and supply agreement are assumed to have an economic life of 8 years.

Other intangible assets include mainly software rights and have an average useful life of three years.

The Group’s customer relationships are comprised of the relationship with a large number of doctors and pharmacies in the medical industry. The amount recorded is based on the Group Management’s best estimate of the fair value of the intangibles. Fair value is based on the total cost the Group would incur to replace such relationships. The Group’s customer relationships are assumed to have an economic life of 20 years.

Total carrying amounts of product lines, license and supply agreement and customer relationships are allocated to human pharma segment.

(Unless otherwise indicated all amounts expressed in US Dollar.)

13. GOODWILL

	Cost
Balance at 1 January 2019	25,205,194
Net foreign currency translation	(2,261,045)
Balance at 31 December 2019	22,944,149
Balance at 1 January 2020	22,944,149
Net foreign currency translation	(3,208,471)
Balance at 31 December 2020	19,735,678

	Accumulated impairment losses
Balance at 1 January 2020	(2,564,340)
Net foreign currency translation	-
Balance at 31 December 2020	(2,564,340)
Carrying amount as at 31 December 2020	17,171,338
Carrying amount as at 31 December 2019	20,379,809

As at 31 December 2020, the Group assessed the recoverable amount of goodwill for Deva and Saba. The recoverable amount of the CGUs is determined based on the value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 21.3% per annum. Cash flows beyond that five-year period have been extrapolated by using a steady real growth rate of 7.7% which inflation rate forecast between the years 2024-2028 for Turkey. This calculation was based on Deva Holding's functional currency (TRY) projections and economical conditions of Turkey. The management believes that any reasonably possible change in the key assumptions on which the recoverable amount is based would not cause the carrying amount of goodwill to exceed its recoverable amount. Total carrying amount of goodwill is allocated to human pharma business segment

The Group has recognized US Dollars 2,564,340 impairment on goodwill in previous years the accompanying consolidated financial statements.

Sensitivity to changes in assumptions used in the goodwill impairment test

In the calculation of the present value of future cash flows, long term growth rate and discount rates are taken into account. Originally, the long term growth rate is assumed to be 7.7%. Had the rate been assumed to be 6.7%, the recoverable amount would have been above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for. Originally, the discount rate is assumed to be 21.3%. Had the rate been assumed to be 22.3%, the recoverable amount would have been above the goodwill included book value of cash generating unit and resulting no impairment provision would have been provided for.

14. INVESTMENT IN ASSOCIATES

Investments in associates	%	31 December 2020	%	31 December 2019
Lypanosys Pte Limited	21.75%	-	21.75%	-
		-		-

In 2010 the Company entered into a shareholding agreement with a third party for the establishment of a new company in Singapore, Lypanosys Pte Limited ("Lypanosys"), for the research, development and marketing of products derived from the long chain fatty acid ester, known as LYP010, as antitheraupetic treatment for certain inflammatory and other ailments.

The Group increased its voting power to 21.75% during 2011 by acquiring the shares of another shareholder at an amount of US Dollars 236,434. The amount was paid in cash. Prior to this acquisition, the Group held less than 20 per cent of the voting power in Lypanosys, but was exercising significant influence by virtue of its contractual right to appoint one director to the board of Lypanosys Company. The Board of Directors of Lypanosys consists of 4 members and each has equal voting right. As such, there have been no changes in the controlling power of the Company as a result of this acquisition.

The financial year end date of Lypanosys is 31 December. This was the reporting date established when Lypanosys was incorporated, and a change of reporting date is not planned. For consolidation purposes Lypanosys' twelve months financial statements to 31 December are used.

The operations of Lypanosys are limited. Total assets and liabilities amount to US Dollars 401,466 and US Dollars 338,724 as of 31 December 2020, respectively. For the year ended 31 December 2020 there was no revenues and loss.

(Unless otherwise indicated all amounts expressed in US Dollar.)

15. BORROWINGS

	31 December 2020	31 December 2019
Short term bank loans	59,003,706	39,102,010
Current portion of long term loans	27,180,292	20,967,032
Current portion of leases	2,045,270	1,960,653
Current portion of bonds issued (*)	9,769,324	13,303,777
Total short term borrowings	97,998,592	75,333,472
Long term portion of bank loans	26,428,233	45,153,652
Non-current portion of leases	7,767,846	3,434,860
Bonds issued (*)	17,666,279	10,923,919
Total long term borrowings	51,862,358	59,512,431
Total borrowings	149,860,950	134,845,903

(*) Deva issued corporate bonds amounting to TRY 130,000,000 with two years maturity, quarterly floating interest rate and coupon payments, the bond were sold on 4 May 2020 only to qualified investors, and TRY 65,000,000 with three years maturity, quarterly floating interest rate and coupon payments, the bonds were sold on 7 May 2018 only to qualified investors. Annual simple yield of the bond is calculated by adding 325 basis points for TRY 130,000,000 bond and 350 basis points for TRY 65,000,000 bond over the annual compound yield of "reference government bond". As of issuance date, annual simple bond yields were 10.85% and 17.31% and compound bond yields were 11.30% and 18.47%, respectively.

The effective interest rate of TRY 130,000,000 is 15.95% as at 31 December 2020 and discounted estimated future cash payments through the expected life of the financial liability is calculated as TRY 134,885,502 (Equivalent of US Dollar 18,375,520).

The effective interest rate of TRY 65,000,000 is 20.20% as at 31 December 2020 and discounted estimated future cash payments through the expected life of the financial liability is calculated as TRY 66,505,547 (Equivalent of US Dollar 9,060,083).

The Group has a number of borrowings with interest rates that are based on market interest rates at date of the borrowings. The Group is exposed to interest rate fluctuations on domestic and international markets. The Group attempts to mitigate this risk by maintaining an appropriate mix between fixed and floating rate borrowings whose portions are 59% and 41% respectively.

The repayments of the borrowings are as follows:

	31 December 2020	31 December 2019
On demand or within one year	97,998,592	75,333,472
In the second year	33,296,852	32,188,026
In the third year	5,888,930	11,129,087
In the fourth year	4,613,801	4,469,046
In the fifth year	8,062,775	11,726,272
	149,860,950	134,845,903

The fair value of the Group’s short term borrowings, other than bond issued, approximate their carrying amounts due to the short-term nature of the instruments. The fair value of the bond issued approximate its carrying amount as the interest rates of the instruments are variable and are based on market rates.

(Unless otherwise indicated all amounts expressed in US Dollar.)

15. BORROWINGS (cont.)

i) Bank loans

Short-term loans

Short-term bank loans consist of the following:

Currency Type	Weighted Average Interest Rate	Principal	31 December 2020	Currency Type	Weighted Average Interest Rate	Principal	31 December 2019
TRY	11.9%	414,252,901	56,433,881	TRY	11.8%	209,164,932	35,211,766
EUR	0.8%	500,000	613,575	EUR	0.7%	2,500,000	2,798,980
Accrued interest			1,956,250	Accrued interest			1,091,264
			59,003,706				39,102,010

The Group has spot loans amounting to TRY 409,785,145 (Equivalent of US Dollar 55,825,236) (2019: TRY 34,403,446), with an average interest of 11.9% and have loans with no interest amounting to TRY 4,467,756 (Equivalent of US Dollar 608,645) (2019: 808,320).

Short term borrowings consist of revolving lines of credits with several banks and carry fixed rate interests. As at 31 December 2020 and 31 December 2019, the total available lines of credits were US Dollar 324,214,677 (TRY 2,379,897,838) and US Dollar 312,592,374 (TRY 1,856,861,222) respectively. The principal and interest is paid on the maturity. The agreements have no expiration date unless there is a breach of contract which would include nonpayment of interest and principal within the maturity.

Long-term loans

Current portion of long-term bank loans consist of the following:

Currency Type	Weighted Average Interest Rate	Principal	31 December 2020	Currency Type	Weighted Average Interest Rate	Principal	31 December 2019
TRY	14.5%	184,095,965	25,079,486	TRY	13.0%	108,910,027	18,334,404
EUR	2.4%	710,143	871,452	EUR	2.5%	1,023,714	1,146,142
Accrued interest			1,229,354	Accrued interest			1,486,486
			27,180,292				20,967,032

(Unless otherwise indicated all amounts expressed in US Dollar.)

15. BORROWINGS (cont.)

i) Bank loans (cont.)

Long-term loans(cont.)

Long-term bank loans consist of the following:

Currency Type	Weighted Average Interest Rate	Principal	31 December 2020	Currency Type	Weighted Average Interest Rate	Principal	31 December 2019
TRY	15.5%	193,996,441	26,428,233	TRY	13.6%	263,498,845	44,358,582
EUR	0.0%	-	-	EUR	2.5%	710,143	795,070
			26,428,233				45,153,652

The Group uses its notes receivables as collaterals for its revolving loans, As at 31 December 2020, the amount of the notes receivables given as collateral is USD 21,615,526 (31 December 2019: USD 21,499,779). These loans are also secured by the Group's headquarter building located at Halkalı and Group's factory buildings that are located at Çerkezköy and Kartepe morgages at respectively amounts of TRY 55.000.000 (Equivalent of US Dollar 7,492,678), TRY 20.000.000 (Equivalent of US Dollar 2,724,610) , TRY 35.000.000 (Equivalent of US Dollar 4,768,068), TRY 34.000.000 (Equivalent of US Dollar 4,631,837), TRY 8.400.000 (Equivalent of US Dollar 1,144,336), TRY 16.200.000 (Equivalent of US Dollar 2,206,934), TRY 12.900.000 (Equivalent of US Dollar 1,757,373). (Note 21)

Loan movement:

	31 December 2020	31 December 2019
Beginning of the year - 1 January	105,222,694	109,450,849
Additons	169,482,619	293,577,892
Repayments of borrowings	(144,517,506)	(285,830,360)
Currency translation differences	(18,675,171)	(12,625,360)
Changes in interest accruals	1,099,595	649,673
End of the period	**112,612,231**	**105,222,694**

(Unless otherwise indicated all amounts expressed in US Dollar.)

15. BORROWINGS (cont.)

ii) Leases

Current portion of leases

Currency Type	Weighted Average Interest Rate	Principal	31 December 2020
TRY	18.4%	10,294,198	1,402,384
Accrued interest			642,886
			2,045,270

Currency Type	Weighted Average Interest Rate	Principal	31 December 2019
TRY	21.7%	8,377,178	1,410,252
Accrued interest			550,401
			1,960,653

Non-current portion of leases

Currency Type	Weighted Average Interest Rate	Principal	31 December 2020
TRY	18.4%	57,019,871	7,767,846
			7,767,846

Currency Type	Weighted Average Interest Rate	Principal	31 December 2019
TRY	21.7%	20,403,758	3,434,860
			3,434,860

The Group recognizes right-of-use assets at the commencement date of the lease in accordance with TFRS 16; when the underlying asset is available for use. Since the fixed asset which is subject to the leasing agreement, amounting to EUR 10,717,000 (Equivalent of US Dollar 13,151,374), is not available for use as at the balance sheet date; the Company has not recognized the total amount of right-of-use asset and lease liability in the consolidated financial statements. The Group has only recognized the advance payment by the leasing company under the lease contract in 2020 on behalf of Deva Holding. The advance payment, amounting to TRY 29,878,281 (Equivalent of US Dollar 4,070,333), has been recognized in advances given and lease liabilities. The commencement date of the lease contract is 21 December 2020; and the termination date is 25 December 2026. The total borrowing amount of the lease contract is TRY 181.753.535 (Equivalent of US Dollar 24,760,375). (Note 10)

Lease movement:

	31 December 2020	31 December 2019
Beginning of the year - 1 January	5,395,513	-
Additons	3,031,660	6,772,085
Repayments of borrowings	(2,126,540)	(2,042,011)
Currency translation differences	2,838,652	65,218
Changes in interest accruals	673,831	600,221
End of the period	**9,813,116**	**5,395,513**

(Unless otherwise indicated all amounts expressed in US Dollar.)

15. BORROWINGS (cont.)

iii) Bonds issued

Current portion of bonds issued

Currency Type	Weighted Average Interest Rate	Principal	31 December 2020	Currency Type	Weighted Average Interest Rate	Principal	31 December 2019
TRY	20.2%	65,000,000	8,854,983	TRY	21.7%	80,000,000	13,467,560
Accrued interest			914,341	Accrued interest			(163,783)
			9,769,324				13,303,777

Non-current portion of bonds issued

Currency Type	Weighted Average Interest Rate	Principal	31 December 2020	Currency Type	Weighted Average Interest Rate	Principal	31 December 2019
TRY	16.0%	130,000,000	17,709,965	TRY	20.2%	65,000,000	10,942,393
Accrued interest			(43,686)				(18,474)
			17,666,279				10,923,919

Bond issued movement:

	31 December 2020	31 December 2019
Beginning of the year - 1 January	24,227,696	29,616,956
Additons	17,709,965	-
Repayments of borrowings	(10,898,440)	-
Currency translation differences	704,827	(1,753,401)
Changes in interest accruals	(4,308,445)	(3,635,859)
End of the period	**27,435,603**	**24,227,696**

(Unless otherwise indicated all amounts expressed in US Dollar.)

16. TRADE PAYABLES

	31 December 2020	31 December 2019
Short-term trade payables	22,346,652	21,327,437
Notes payable	1,669	1,669
	22,348,321	21,329,106

Notes payable represents postdated cheques with maturities of less than one year and are provided to the various suppliers of the Group. The average credit period for the trade payables is 63 days (31 December 2019: 56 days).

17. OTHER PAYABLES AND ACCRUED EXPENSES

	31 December 2020	31 December 2019
Accrued sales discounts and free samples (*)	1,390,996	2,371,744
Accrued vacation pay	1,075,276	1,141,984
Payroll taxes and dues payable	2,032,176	1,001,387
Deferred income (**)	673,844	472,106
Social security premiums payable	648,491	761,331
Accrued sales premiums and bonuses	627,513	692,617
Advances received	459,685	350,234
Accrued payroll	60,226	63,820
Other accruals and liabilities	12,809,523	10,956,798
	19,777,730	17,812,021

(*) US Dollar 351,267 of the amount relates to accrued reimbursement charges given to pharmacies and warehouses due to the price differences (2019: US Dollar 358,928).

	31 December 2020	31 December 2019
Long-term deferred income (**)	7,215,609	6,382,516
	7,215,609	6,382,516

(**) In 2010, the Group began receiving government grants for certain development costs incurred and property, plant and equipment used in research and development activities from TUBITAK (Scientific and Technological Research Council of Turkey). Government grants relating to capitalized development costs are deferred and recognized in the consolidated statement of income and comprehensive income over the period necessary to match them with the costs that they are intended to compensate. Government grants relating to property, plant and equipment are included in other payables as deferred income and are credited to the consolidated statement of income and comprehensive income on a straight-line basis over the expected lives of the related assets.

(Unless otherwise indicated all amounts expressed in US Dollar.)

18. PROVISIONS

	31 December 2020	31 December 2019
Provision for legal claims	891,170	1,179,347
	891,170	1,179,347

	Provision for legal claims	Total
At 1 January 2019	1,183,902	1,183,902
Charge for the year	871,678	871,678
Utilization of provision	(622,914)	(622,914)
Provision released	(117,932)	(117,932)
Translation effect	(135,387)	(135,387)
At 31 December 2019	1,179,347	1,179,347
At 1 January 2020	1,179,347	1,179,347
Charge for the year	801,013	801,013
Utilization of provision	(539,130)	(539,130)
Provision released	(325,085)	(325,085)
Translation effect	(224,975)	(224,975)
At 31 December 2020	891,170	891,170

Total provisions for legal claims represent court cases opened and currently pending against the Group. The current period charge for the legal claims include the provisions for the court cases with discharged personnel and fines received from the tax authority as a result of general inspections in pharmaceutical sector in Turkey.

(Unless otherwise indicated all amounts expressed in US Dollar.)

19. TAXATION ON INCOME

	31 December 2020	31 December 2019
Current Tax Payable:		
Current corporate and income tax	2,259,547	2,733,099
Effect of taxable base increase on corporate tax (*)	-	20,968
	2,259,547	2,754,067

(*) The law numbered 7143 which also contains the provisions regarding the tax amnesty was approved by the Parliamentary Counsel and announced at Trade Registry Gazette on 18 May 2018 in Turkey. Based on the provisions of the law in consideration, Deva Holding A.Ş. and Saba İlaç Sanayi ve Ticaret A.Ş. applied for taxable base increase for 2016 and 2017. In years where taxable profits exists, corporate taxes base was increased by the rates stated in law and corporate tax is calculated by applying 15% tax rate.

For the periods where the Group applied for taxable base increase, no further tax investigation will be done.

	For the year ended 31 December 2020	For the year ended 31 December 2019
Taxation:		
Current tax expense	(2,716,039)	(2,992,218)
Deferred tax income	69,149	73,986
	(2,646,890)	(2,918,232)

Total charge for the year can be reconciled to the accounting profit as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Profit before tax	107,036,658	64,186,373
Corporate income tax rate	0%	0%
Expected taxation	-	-
tax effects of:		
- r&d incentives deductions	2,760,903	2,368,729
- effect of different tax rate of subsidiaries operating in other jurisdiction	(23,363,102)	(14,434,677)
- used discounted tax rate effect, other than effective tax rate	24,027,579	9,647,461
- effect of taxable base increase corporate tax	-	-
- other	(6,072,270)	(499,745)
Income tax expense per consolidated statement of income	(2,646,890)	(2,918,232)

19. TAXATION ON INCOME (cont.)

Corporate Tax

The Company is based in Bermuda and Bermuda levies no tax on profits, dividends or income, nor is there any withholding tax or capital gains tax.

Devatis Ltd is based in New Zealand and New Zealand resident companies are taxed on their worldwide income, and non-resident companies (including branches) are taxed on New Zealand-sourced income. The New Zealand corporate tax rate is 28%.

Current and deferred income tax in Turkey

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

The current income tax charge is calculated in accordance with the tax laws enacted or substantively enacted at the balance sheet date in the countries where the subsidiaries and associates of the Group operate. Under the Turkish Tax Code, companies having head office or place of business in Turkey are subject to corporate tax.
Under the Turkish taxation system, tax losses can be carried forward to be offset against future taxable income for five years. Tax losses cannot retrospectively offset against the profits of previous years.

Furthermore, provisional corporate taxes are paid at 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) over profits declared for interim periods in order to be deducted from the final corporate tax.

As of December 31, 2020 and 2019, income tax provisions have been accrued in accordance with the prevailing tax legislation.75% of the income derived by the Company from the sale of participation shares, preferential rights, founders' shares and redeemed shares and 50% of the income derived by the Company from the sale of immovable property which are carried in assets for at least for two years is exempt from corporate tax with the condition that the relevant income should be added to the share capital or kept under a special reserve account under equity for 5 years in accordance with the Corporate Tax Law.

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 values in the consolidated financial statements. Currently enacted tax rates are used to determine deferred income tax at the balance sheet date.

Since the applicable tax rate has been changed to 22% for the 3 years beginning from 1 January 2018, 22% tax rate is used in the deferred tax calculation of 31 December 2020 for the temporary differences expected to be realized/closed within 3 years (for the years 2018, 2019 and 2020). However, since the corporate tax rate after 2020 is 20%, 20% tax rate is used for the temporary differences expected to be realized/closed after 2020.

Deferred tax liabilities are recognized for all taxable temporary differences, where deferred tax assets resulting from deductible temporary differences are recognized to the extent that it is probable that future taxable profit will be available against which the deductible temporary difference can be utilized. Provided that deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority and it is legally eligible, they may be offset against one another.

Tax assets and liabilities

Corporation tax

The Group's major operating subsidiaries are Deva and Saba and they are subject to taxation in accordance with the tax regulation and the legislation effective in Turkey.

In Turkey, the corporate tax rate is 20%. However, in accordance with the addition of temporary 10th article to the Corporate Tax Law, 22% corporate tax rate will be applied to the profits of the entities related to their to 2018, 2019 and 2020 tax periods (for the entities with special accounting period, tax periods commenced in the related year) rather than 20%. This rate is applicable to the tax base derived upon exemptions and deductions stated in the tax legislation and by addition of disallowable expenses to the commercial revenues of the companies with respect to the tax legislation. Corporate tax is required to be filed by the twenty-fifth day of the fourth month following the balance sheet date and taxes must be paid by the end of the fourth month.

19. TAXATION ON INCOME (cont.)

Tax assets and liabilities (cont.)

The tax legislation provides for a temporary tax of 20% (will be applied as 22% for 2018, 2019 and 2020 tax periods) to be calculated based on earnings generated for each quarter. Temporary tax is declared by the 14th day of the second month following each quarter and corresponding tax is payable by the 17th day of the same month. The amounts thus calculated and paid are offset against the final corporate tax liability for the year. If there is excess temporary tax paid even if it is already offset, this amount may be refunded or offset. Corporate tax losses can be carried forward for a maximum period of 5 years following the year in which the losses were incurred. The tax authorities can inspect tax returns and the related accounting records for a retrospective maximum period of five years.

15% withholding applies to dividends distributed by resident real persons, those who are not liable to income and corporation tax, non-resident real persons, non-resident corporations (excluding those that acquire dividend through a permanent establishment or permanent representative in Turkey) and non-resident corporations exempted from income and corporation tax.

Dividend distribution by resident corporations to resident corporations is not subject to a withholding tax. Furthermore, in the event the profit is not distributed or included in capital, no withholding tax shall be applicable.

Turkish tax legislation does not permit a parent company and its subsidiaries to file a consolidated tax return. Therefore, tax liabilities, as reflected in these consolidated financial statements, have been calculated on a separate-entity basis. As of December 31, 2020 and 2019, current income tax payables have been offset against the prepaid taxes in entity basis but such offset amounts have been classified in gross basis in the consolidated financial statements.

(Unless otherwise indicated all amounts expressed in US Dollar.)

19. TAXATION ON INCOME (cont.)

The breakdown of balances in subsidiaries with net deferred tax asset position is as follows:

	31 December 2020	31 December 2019
Basis difference on property, plant and equipment and intangible assets	(2,781,446)	(3,955,829)
Basis difference on inventory	2,053,890	1,841,190
Provision for employment termination benefits	919,201	1,030,303
Accrued vacation	215,055	251,236
Provision for legal cases	178,073	259,238
Amortization of discount on notes payables	(18,430)	(14,483)
Expense accruals due to price regulation	70,253	78,964
Other	1,303,008	1,509,057
Net deferred tax asset	1,939,604	999,676

Movement of deferred tax assets:	For the year ended 31 December 2020	For the year ended 31 December 2019
Opening balance	999,676	(378,949)
Charge for the year	160,973	186,218
Tax income recognized in other comprehensive income	(33,131)	65,242
Translation effect	812,086	1,127,165
Closing balance	1,939,604	999,676

(Unless otherwise indicated all amounts expressed in US Dollar.)

20. PROVISION FOR EMPLOYMENT TERMINATION BENEFITS

For the subsidiaries in Turkey, Under the Turkish Labor Law, Deva and its subsidiaries are required to pay employment termination benefits to each employee who has qualified for such payment. Also, employees are required to be paid their retirement pay provisions who retired by gaining right to receive retirement pay provisions in accordance with the provisions set out in law no: 2422 issued at 6 March 1981, law no: 4447 issued at 25 August 1999 and the amended Article 60 of the existing Social Insurance Law No: 506. Some transitional provisions related to the pre-retirement service term were excluded from the law since the related law was amended as of 23 May 2002.

The amount payable consists of one month's salary limited to a maximum of US Dollar 1,041 and 1,133 (TRY equivalent of 7,639 and 6,730, respectively) for each period of service as at 31 December 2020 and 31 December 2019, respectively. 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 Group arising from the retirement of employees. IAS 19 requires actuarial valuation methods to be developed to estimate the entity's obligation. Accordingly, the following actuarial assumptions were used in the calculation of the total liability.

The provision as of 31 December 2020 has been calculated assuming annual inflation rates of 9% and a interest rate of 13%, resulting in real discount rates of approximately 3.67% (31 December 2019: 3.21%). The anticipated rate of retirement was 88.13% (2019: 87.77%). It is planned that, retirement rights will be paid to employees at the end of the concession periods. Accordingly, present value of the future probable obligation has been calculated based on the concession periods. As the maximum liability is revised semi-annually, the maximum amount of TRY 7,639 effective from 1 January 2021 is taken into consideration in the calculation of provision from employment termination benefits.

The employee benefits expense is included as a component of cost of sales and operating expenses.

	For the year ended 31 December 2020	For the year ended 31 December 2019
Opening balance	4,683,196	3,944,212
Service cost	1,130,074	1,109,425
Interest cost	121,609	142,256
Benefits paid	(279,835)	(358,206)
Actuarial (loss) / gain	(165,657)	296,556
Translation effect	(893,384)	(451,047)
Closing balance	4,596,003	4,683,196

(Unless otherwise indicated all amounts expressed in US Dollar.)

21. COMMITMENTS AND CONTINGENCIES

The Group provides guarantees on its borrowings and payables to third parties through collateralizing the Group's trade receivables and property, plant and equipment. The details of the Group's commitments under mortgages, letters of guarantee, promissory notes, and collaterals given are as follows:

	Amount		31 December 2020 US Dollars
Letters of guarantee given	TRY	9,818,527	1,337,583
	EUR	828,703	1,016,943
	US Dollar	595,994	595,994
Promissory notes and collaterals given	TRY	104,604,689	14,250,349
	US Dollar	-	-
Loan secured by building	TRY	181,500,000	24,725,836
Pledges	TRY	-	-
			41,926,705

	Amount		31 December 2019 US Dollars
Letters of guarantee given	TRY	11,363,779	1,913,030
	EUR	4,464,758	4,998,707
	US Dollar	466,320	466,320
Promissory notes and collaterals given	TRY	69,837,579	11,756,772
	US Dollar	-	-
Loan secured by building	TRY	181,500,000	30,554,527
Pledges	TRY		-
			49,689,356

22. SHARE CAPITAL AND LEGAL RESERVE

Share capital

The authorized share capital of the Company is US Dollar 2,500,000,000 divided into 500,000,000 ordinary shares with a nominal value of five US Dollar per share. As at 31 December 2020 and 31 December 2019, 67,650,000 ordinary shares of the 500,000,000 authorized shares have been issued and are outstanding.

Premium in excess of par

Premium in excess of par represents the difference between the nominal value of five US Dollar per share and the proceeds received by the Company. The premium in excess of par was US Dollar 99,774,445 as at 31 December 2020 (31 December 2019: US Dollar 99,774,445).

Legal reserves

The legal reserves consist of first and second legal reserves, appropriated in accordance with the Turkish Commercial Code. The first legal reserve is appropriated out of historical statutory profits at the rate of 5% per annum, until the total reserve reaches 20% of the historical paid-in share capital. The second legal reserve is appropriated after the first legal reserve and dividends, at the rate of 10% per annum of all cash dividend distributions.

Retained earnings

The Group’s accumulated profit as of 31 December 2020 and 31 December 2019 amounts to US Dolars 145,781,280 and US Dollars 60,893,471, respectively.

The Group paid US Dollars 3,154,000 dividend from its 2019 profit to its shareholders.(31 December 2019: US Dollars 267,648)

(Unless otherwise indicated all amounts expressed in US Dollar.)

23. REVENUE

	1 January - 31 December 2020	1 January - 31 December 2019
Human pharma revenue	261,802,442	246,612,188
Veterinary products revenue	16,607,193	15,216,593
Other revenue	10,604,605	1,249,534
	289,014,240	263,078,315

Sales amounts are presented net of sales returns and discounts.

24. COST OF SALES

	1 January - 31 December 2020	1 January - 31 December 2019
Raw materials used	(89,119,153)	(85,094,238)
Direct labor cost	(5,662,456)	(5,893,423)
Production overheads	(27,579,684)	(30,982,656)
Depreciation and amortisation expenses	(3,863,381)	(3,963,389)
Change in work in process	(1,019,153)	50,057
Change in finished goods	2,041,274	6,917,062
	(125,202,553)	(118,966,587)

(*) Depreciation and amortization expense of US Dollars 1,138,032 (31 December 2019: US Dollars 1,623,129) has been capitalized on inventories.

25. OPERATING EXPENSES

	1 January - 31 December 2020	1 January - 31 December 2019
Research and development expenses (*)	(12,358,459)	(6,989,505)
Sales and marketing expenses	(19,324,270)	(26,949,900)
General administration expenses	(28,694,692)	(23,765,591)
	(60,377,421)	(57,704,996)

(*) As of 31 December 2020, the Group realized research and development expense amounting to US Dollars 2,991,280 for tangible assets and US Dollars 15,980,618 for intangible assets with the total amount of US Dollars 18,971,898 (31 December 2019: US Dollars 13,023,271). As at the balance sheet date US Dollars 16,940,240 of the amount is from government grants and incentives (31 December 2019: US Dollars 10,632,747). Of this total amount US Dollars 18,928,360 was capitalized on development costs, of which US Dollars 4,735,343 consists of employee related expenses. 43,538 portion of the total US Dollars 11,544,952 cancelled project and other expenses refer to the current year.

(Unless otherwise indicated all amounts expressed in US Dollar.)

25. OPERATING EXPENSES (cont.)

	1 January - 31 December 2020	1 January - 31 December 2019
Employee benefits expense	(30,545,128)	(30,521,551)
Depreciation and amortization expense	(5,126,070)	(5,048,755)
Transportation expense	(754,319)	(2,889,049)
Rent expense	(292,998)	(193,995)
Consultancy expense	(2,595,946)	(2,732,458)
Promotional and advertising expense	(2,618,528)	(4,412,089)
Other operating expenses	(23,912,719)	(16,712,137)
	(65,845,708)	(62,510,034)
Capitalized personnel expenses	5,468,287	4,805,038
	(60,377,421)	(57,704,996)

26. INVESTMENT REVENUE

	1 January - 31 December 2020	1 January - 31 December 2019
Discount interest income	42,315	1,327
Interest income	1,342,198	833,819
	1,384,513	835,146

27. FINANCE COSTS (net)

	1 January - 31 December 2020	1 January - 31 December 2019
Interest on bank borrowings	(12,259,247)	(17,179,172)
Lease liabilities interest cost	(673,831)	(600,221)
Foreign exchange loss on borrowings	(713,105)	(612,909)
Bond interest and expenses	(4,308,445)	(3,635,859)
Gain / (Loss) on derivative financial instruments	1,862,281	(2,957,779)
Amortization of discount on receivables	(5,088)	(32,881)
Other interest expense	(539,458)	(1,196,710)
	(16,636,893)	(26,215,531)

(Unless otherwise indicated all amounts expressed in US Dollar.)

28. OTHER GAINS AND LOSSES

	1 January - 31 December 2020	1 January - 31 December 2019
Foreign exchange gain	16,669,217	3,347,696
Gain on disposal of property, plant and equipment	818,397	382,251
Other (*)	1,367,158	(569,921)
	18,854,772	3,160,026

(*) For the year ended 31 December 2020 and 2019, other mainly consist of TUBITAK projects support income.

29. LOSS FROM INVESTMENT IN ASSOCIATES

The operations of Lypanosys are limited. Total assets and liabilities amount to US Dollars 401,466 and US Dollars 338,724 as of 31 December 2020, respectively. For the year ended 31 December 2020 there was no material revenues and loss.

30. SEGMENT INFORMATION

For management purposes, the Group is currently organized into three business segments; production and sale of human pharmaceuticals, veterinary products and other. These segments are the basis on which the Group reports its segment information. The principal activities of each segment are as follows:

- ***Human Pharma:*** Human pharmaceuticals segment derives the majority of its revenues from the sale of branded generic and licensed products, the manufacturing and sale of antibiotic active ingredients and empty ampoules.

- ***Veterinary Products:*** Veterinary products segment operates in the sector of veterinary drugs and agrochemicals.

- ***Other:*** Other segment includes cologne production and sale.

IFRS requires segment information to be presented under a ‘management approach’, where segment information is to be shown on the same basis as that used for internal reporting purposes.

The Group has identified operating segments in a manner consistent with the internal reporting provided to the chief operating decision maker “CODM”.

The accounting policies of the reportable segments are the same as the groups accounting policies described in Note 3.

(Unless otherwise indicated all amounts expressed in US Dollar.)

30. SEGMENTAL INFORMATION (cont.)

All of the Group's assets are located in Turkey. There are insignificant operations outside Turkey.

For the year ended 31 December 2020	Human pharma	Veterinary products	Other	Total
External sales	261,802,442	16,607,193	10,604,605	289,014,240
Cost of sales	(107,745,398)	(10,928,486)	(6,528,669)	(125,202,553)
Operating expenses	(58,386,657)	(1,884,931)	(105,833)	(60,377,421)
Segment results	95,670,387	3,793,776	3,970,103	103,434,266
Investment revenue				1,384,513
Finance costs				(16,636,893)
Other gains and losses				18,854,772
Profit before tax				107,036,658
Tax expense				(2,646,890)
Net profit for the period				104,389,768

The Group is dependent on a limited number of distribution partners in Turkey. Distribution of the Group's products by the two largest wholesalers in the Turkish market corresponded to approximately 27% and 39%. Net human pharma revenues attributed to these wholesalers were US Dollar 60,460,014 and US Dollar 87,012,215 respectively.

Group management has emphasised segment reporting on operational profit, therefore the Group has not allocated its other expenses on segment base.

For the year ended 31 December 2019	Human pharma	Veterinary products	Other	Total
External sales	246,612,188	15,216,593	1,249,534	263,078,315
Cost of sales	(107,674,914)	(10,465,598)	(826,075)	(118,966,587)
Operating expenses	(55,207,953)	(2,155,308)	(341,735)	(57,704,996)
Segment results	83,729,321	2,595,687	81,724	86,406,732
Investment revenue				835,146
Finance costs				(26,215,531)
Other gains and losses				3,160,026
Profit before tax				64,186,373
Tax expense				(2,918,232)
Net profit for the period				61,268,141

The Group is dependent on a limited number of distribution partners in Turkey. Distribution of the Group's products by the two largest wholesalers in the Turkish market corresponded to approximately 27% and 38%. Net human pharma revenues attributed to these wholesalers were US Dollar 59,354,717 and US Dollar 84,951,518, respectively.

31. EARNINGS PER SHARE

There were no dilutive equity instruments outstanding, that would require the calculation of separate diluted earnings per share. The calculation of basic earnings per share attributable to ordinary equity holders of the parent is as follows:

	For the year ended 31 December 2020	For the year ended 31 December 2019
Weighted average number of shares (Note 22)	67,650,000	67,650,000
Net profit for the period attributable to the shareholders	85,645,590	52,440,138
Earnings per share	1.266	0.775

(Unless otherwise indicated all amounts expressed in US Dollar.)

32. FOREIGN CURRENCY POSITION

The functional currency of the Group's subsidiaries located in Turkey is TRY. Those subsidiaries are exposed to foreign currency fluctuations on monetary assets and liabilities held in currencies other than TRY, including EUR, USD and other currencies. The following table details the Group's subsidiaries' foreign currency exposures for each class of financial instruments. The financial assets and liabilities below are grouped in the currencies in which the transactions are denominated.

31 December 2020	US Dollar	EURO	CHF	Other	Equivalent of US Dollar
Cash and cash equivalents	49,902,792	32,847,308	6,279	2,542	90,221,920
Trade receivables	9,447,204	4,134,571	992,064	-	15,640,537
Other assets	364,480	4,209,548	-	130,648	5,707,212
Total Assets	**59,714,476**	**41,191,427**	**998,343**	**133,190**	**111,569,669**
Trade payables	7,195,982	2,910,900	853,607	-	11,731,431
Short-term borrowings	-	1,210,143	-	-	1,485,028
Long-term borrowings	-	-	-	-	-
Other payables and accrued expenses	-	-	-	-	-
Total Liabilities	**7,195,982**	**4,121,043**	**853,607**	**-**	**13,216,459**
Net foreign currency position	**52,518,494**	**37,070,384**	**144,736**	**133,190**	**98,353,210**

31 December 2019	US Dollar	EURO	CHF	Other	Equivalent of US Dollar
Cash and cash equivalents	36,745,164	14,074,435	4,076	2,594	52,510,365
Trade receivables	5,494,364	1,872,674	895,921	-	8,509,992
Other assets	36,970	2,659,442	2,693,605	75,537	5,876,331
Total Assets	**42,276,498**	**18,606,551**	**3,593,602**	**78,131**	**66,896,688**
Trade payables	5,607,074	4,345,870	711,499	2,056	11,205,192
Short-term borrowings	-	3,523,714	-	-	3,945,122
Long-term borrowings	-	710,143	-	-	795,070
Other payables and accrued expenses	-	-	(663,293)	-	(680,377)
Total Liabilities	**5,607,074**	**8,579,727**	**48,206**	**2,056**	**15,265,007**
Net foreign currency position	**36,669,424**	**10,026,824**	**3,545,396**	**76,075**	**51,631,681**

(Unless otherwise indicated all amounts expressed in US Dollar.)

33. FINANCIAL RISK MANAGEMENT

(a) Capital risk management

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

The capital structure of the Group consists of debt which includes the borrowings (Note 14), cash and cash equivalents (Note 5) and equity attributable to equity holders of the parent, comprising issued capital and retained earnings (Note 21).

The Group Management analyzes the cost of capital and the risks associated with capital semiannually. The Group Management aims to balance its overall capital structure through the payment and receipt of dividends, and new share issues as well as obtaining new debt or the redemption of existing debt.

In addition and consistent with others in the industry, the group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including ‘current and non-current borrowings’ as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as ‘equity’ as shown in the consolidated balance sheet plus net debt.

During 2020, the Group’s strategy, which was unchanged from 2019, was to maintain the gearing ratio within 35% to 65%.

	31 December 2020 USD	31 December 2019 USD
Financial liability	149,860,950	134,845,903
Less: Cash and cash equivalents	(104,019,380)	(57,420,187)
Liability (net)	45,841,570	77,425,716
Total equity	284,546,937	227,438,812
Total invested capital	161,783,379	161,190,622
Liability (net) / Total invested capital rate	28%	48%

(b) Significant accounting policies

The Group’s accounting policies about financial instruments are disclosed in Note 3 to the consolidated financial statements.

(Unless otherwise indicated all amounts expressed in US Dollar.)

33. FINANCIAL RISK MANAGEMENT (cont.)

(c) Financial instrument categories

31 December 2020	Loans measured according to effective interest rate and receivables	Financial liabilities through profit and loss	Financial liabilities at amortized cost	Carrying value	Note
Financial assets					
Cash and cash equivalents	104,019,380	-	-	104,019,380	5
Trade receivables	94,856,860	-	-	94,856,860	6
Financial liabilities					
Borrowings	-	-	149,860,950	149,860,950	14
Trade payables (including related parties)	-	-	22,352,738	22,352,738	7-16
31 December 2019					
Financial assets					
Cash and cash equivalents	57,420,187	-	-	57,420,187	5
Trade receivables	85,279,156	-	-	85,279,156	6
Financial liabilities					
Borrowings	-	-	134,845,903	134,845,903	14
Trade payables (including related parties)	-	-	21,333,621	21,333,621	7-16

The fair value of the Group’s financial assets and liabilities approximate the carrying amount.

33. FINANCIAL RISK MANAGEMENT (cont.)

(d) Financial risk management objectives

The Group's finance function provides services to the business, coordinates access to domestic and international markets, monitors and manages the financial risks relating to the operations of the Group. These risks include market risk (including currency risk, fair value interest rate risk and price risk) credit risk, liquidity risk and cash flow interest rate risk.

(e) Market risk

The Group is exposed to market risks with respect to foreign currency exchange rates and interest rates. The Group seeks to minimize external foreign currency risks whenever possible by entering into forward foreign exchange contracts. Interest rate risk is managed by entering into a balanced, preferred ratio of fixed / floating borrowing arrangements.

The Group Management measures the market risks on the basis of sensitivity analysis.

(f) Foreign currency risk management

The Company's functional currency is the US dollar while almost all of its operations are located in Turkey and, as a result, a majority of the Group's revenues and costs are denominated in Turkish Lira ("TRY") and the Group is exposed to currency fluctuations between the US Dollar and other currencies.

The Group's business involves purchases from and limited sales to a number of countries. Those sales, expenses, assets and liabilities are in currencies other than the US Dollar. In addition, the Group has debt in currencies other than the US Dollar.

The Group's assets' and liabilities' foreign currency position is presented in Note 32.

Foreign currency sensitivity

The functional currency of the Group's subsidiaries is TRY. Those subsidiaries are exposed to foreign currency fluctuations on monetary assets and liabilities held in currencies other than TRY, including EUR and USD. The following table details the Company's sensitivity to 20% devaluation in the exchange rate of USD against TRY and EUR against TRY. 20% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 20% change in foreign currency rates.

The table below shows only impact related to the two currencies named and assumes the rate between all other currencies to be held constant and net of tax. Positive amounts in the following table represent increase in net profit for the period. Equity effect is nil.

	Period ended 31 December 2020	
	Effect of US Dollar: TRY	Effect of EUR: TRY
Loss	(61,681,920)	(53,428,210)

	Year ended 31 December 2019	
	Effect of US Dollar: TRY	Effect of EUR: TRY
Loss	(34,851,794)	(10,669,503)

The equity effect of 20% devaluation in the exchange rate of TRY against USD is US Dollar 68,730,143 as the functional currencies of Turkish subsidiaries are Turkish Lira.

33. FINANCIAL RISK MANAGEMENT (cont.)

(g) Interest rate risk management

The Group has a number of borrowings with interest rates that are based on market interest rates. Therefore the Group is subject to market risk deriving from changes in interest rates, which may affect the cost of current floating rate indebtedness and future financing. The Group management seeks to manage this risk by maintaining an appropriate mix between fixed and floating rate borrowings. As at 31 December 2020, 41% of total indebtedness was floating rate and mainly denominated in Turkish Lira and Euro. Interest rates are fixed in short-term loans. The Group does not enter into long-term loans denominated in Turkish Lira.

Interest rate sensitivity

The sensitivity analyses have been determined based on the exposure to interest rates at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. 50 basis points is the sensitivity rate used when reporting interest rate risk internally to key management personnel.

If Libor and Euribor had been 50 basis points higher and all other variables were held constant, net profit for the period ended at 31 December 2020 would decrease by US Dollar 334,479 net of tax (31 December 2019: decrease by US Dollar 164,804). If Libor and Euribor had been 50 basis points lower, the profit of the Group for the year ended would increase with the same absolute amount. The equity effect is nil.

(h) Credit risk management

Credit risks refer to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and credit ratings of its counterparties are continuously monitored.

(i) Liquidity risk management

The Group's management has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long term funding and liquidity management requirements.

The Group's liquidity requirements arise primarily from the need to fund working capital, capital expenditure program relating to the construction and relocation of production plants and the development and expansion of the geographic coverage of operations as well as product portfolio through selective acquisitions. The Company has financed its operations and investments primarily by means of capital increases subsequent to the acquisition of Deva.

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profile of financial assets and liabilities.

(Unless otherwise indicated all amounts expressed in US Dollar.)

33. FINANCIAL RISK MANAGEMENT (cont.)

(i) Liquidity risk management (cont.)

Liquidity analysis

The following table details the Group's expected maturity for its non-derivative financial liabilities. The tables below have been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will accrue to those liabilities except where the Group is entitled and intense to repay the liability before its maturity.

31 December 2020	Carrying value	Cashflow according to the agreement	Less than 3 month	3 – 6 month	6 – 9 month	9 month – 1 year	1 – 3 year	3 + year
Bank borrowings and bonds issued	149,860,950	178,339,838	34,289,342	25,217,506	11,650,032	37,784,943	20,783,439	48,614,576
Trade payables	22,348,321	22,440,472	22,407,456	33,016	-	-	-	-
Due to related parties	4,417	-		-	-	-	-	-
	191,166,557	200,780,310	56,696,798	25,250,522	11,650,032	37,784,943	20,783,439	48,614,576

31 December 2019	Carrying value	Cashflow according to the agreement	Less than 3 month	3 – 6 month	6 – 9 month	9 month – 1 year	1 – 3 year	3 + year
Bank borrowings	134,845,903	163,049,854	33,152,178	14,444,665	5,240,762	28,420,834	39,815,822	41,975,593
Trade payables	21,329,106	21,394,938	21,256,914	138,024	-	-	-	-
Due to related parties	4,515	-	-	-	-	-	-	-
	156,179,524	184,444,792	54,409,092	14,582,689	5,240,762	28,420,834	39,815,822	41,975,593

(Unless otherwise indicated all amounts expressed in US Dollar.)

34. DERIVATIVE FINANCIAL INSTRUMENTS

As of 31 December 2020 and 31 December 2019, the Group has derivative instruments as follows:

	31 December 2020		31 December 2019	
	Assets	Liabilities	Assets	Liabilities
Foreign exchange forward contracts	5,624,957	(6,149,736)	11,288,787	(12,021,334)
	5,624,957	(6,149,736)	11,288,787	(12,021,334)

	1 January-31 December 2020	1 January-31 December 2019
Currency translation	25,259	34,747
Foreign exchange loss that is recognized to profit or loss (*)	(550,038)	(767,294)
Net Asset/(Liability)	(524,779)	(732,547)

(*) For the period between 1 January and 31 December 2020, foreign exchange loss is recognized in financial expense.

35. SUBSEQUENT EVENTS

None.

36. OTHER ISSUES THAT SIGNIFICANTLY AFFECT THE FINANCIAL STATEMENTS OR OTHER ISSUES REQUIRED FOR THE CLEAR UNDERSTANDING OF FINANCIAL STATEMENTS

Due to the extraordinary situation caused by Coronavirus Pandemic originating in China and effecting whole world, Turkish Pharmaceutical Market Sales and accordingly the Group sales were contracted; as the ultimate severity of the Coronavirus outbreak is uncertain, the Group expects further contraction in sales. Due to negative effects of the Coronavirus Pandemic, the Group has suspended its marketing activities to health institutions and organizations according to the applications of Ministry of Health. Additionally the Group's production operations are continuing in the normal course of work.